G. Mitchell Wilk - President
Stanley W. Hulett - Commissioner
Frederick R. Duda - Commissioner
John B. Ohanian - Commissioner
Patricia M. Eckert - Commissioner

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STATE OF CALIFORNIA

PUBLIC UTILITIES COMMISSION

ANNUAL REPORT

1989 -1990

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LETTER OF TRANSMITTAL

THE HONORABLE GEORGE DEUKMEJIAN
GOVERNOR OF CALIFORNIA

This fiscal year, the Commission adopted major regulatory restructuring decisions for California's two largest telecommunications utilities and for the for-hire general freight trucking industry. These and other decisions continued the Commission's work in exploring and developing progressive regulatory approaches that enable companies it regulates to compete where they deal in competitive markets. These decisions also provide improved incentives for the companies to be more efficient, while protecting customers who must continue to rely on monopoly services.

The new regulatory framework for Pacific Bell and General Telephone Company of California is a landmark decision. The framework guarantees ratepayers a real productivity dividend each year, without the lengthy and detailed proceedings that characterized traditional cost-of-service regulation. Rates for customers of monopoly services are indexed to an inflation indicator minus the productivity requirement. This gives the utilities a much improved incentive to cut costs while assuring reasonable rates. When services are partially competitive or discretionary, the phone companies are given pricing flexibility; when services are competitive, the costs and revenues are the shareholders' responsibility, where the risks belong. The Commission will closely monitor this new framework to assure that the intended benefits are realized.

In other telecommunications actions, the Commission established consumer protections for a wide range of services, including pay telephone, alternate operator services, and audiotext providers. To promote the widespread use of cellular phones and the modernization of the cellular systems, the cellular industry in California was given broad freedom to make pricing and investment decisions.

The new General Freight Trucking Regulation Program moves away from rigid rate regulation to give truckers and their customers more freedom to determine their own business relationships. This new regulatory program provides for wider pricing flexibility and quicker price changes so truckers can respond to market conditions. At the same time, the Commission, with legislative direction, is placing a greater emphasis on promoting safety.

In electricity, the Commission continued to devote substantial resources to examination of the proposed merger of Southern California Edison and San Diego Gas and Electric Company. Because of the importance of the proposal to the people of both the Los Angeles and San Diego areas, the Commission conducted the hearings in that area, established a special telephone number for callers to get daily information about the status of the proceeding, and set up a CPUC Public Advisor's Office in San Diego. Senate Bill 52 requires the Commission to address a wide range of potential impacts of the proposed merger in making its decision.

The Commission is also working with electric utilities to develop new resource plans as part of the Biennial Resource Plan Update proceeding. The CPUC works closely with the California Energy Commission (CEC) to assure that each utility's unique resource plan reflects the CEC's comprehensive state Electricity Report. One of the long term goals of the Update proceeding is to integrate the energy savings from investment in demand and load management with investment in new generation.

In gas, the Commission adopted policy guidance to encourage the construction of new interstate pipeline capacity to serve California while assuring that ratepayers would not be adversely affected. As air pollution control regulations have tightened and demands for clean burning natural gas have increased, the Commission has taken actions, including approval of pipeline expansion by the Southern California Gas Company, to facilitate a reliable supply of gas from a number of producing regions outside of California.

At the same time, the Commission continued its program to make purchasing gas by large customers more effective, encouraging the competition present in natural gas procurement. During the year, a major proceeding was initiated to remove the regulated gas utilities from the role of buying gas for large customers when large customers choose to purchase gas from other sources. The intent is to allow the competitive gas procurement market in California to work, providing California gas consumers with a more competitive and efficient market.

The Commission has also **revitalized energy efficiency and conservation programs for the electric and gas utilities.** With Commission guidance and encouragement, a wide variety of "stakeholders" in utility energy efficiency, including consumer and environmental groups, energy utilities, and government agencies met in a collaborative process to develop new energy efficiency programs and incentives for utilities to promote the programs. This collaborative effort resulted in the publication in

January 1990 of an *Energy Efficiency Blueprint for California* establishing guidelines and priorities for energy efficiency and demand side management, proposing programs to be implemented, and paving the way for establishing regulatory incentives to promote energy efficiency. These programs will save energy, lower energy costs, and will reduce air pollution in the long run.

In water, the Commission took steps to respond to California's continuing drought. The Commission is looking at ways to protect the supply, quality, and cost of this vital resource as the demands of California's population grow.

In safety, the Commission is working to assure that the additions of new light rail systems in Los Angeles, San Jose, Sacramento and other cities are constructed and operated safely.

California's public utilities and transportation providers play a crucial role in the economic health of the state and in the well-being of its residents. This fiscal year has seen the Commission take long strides toward using market forces and improved incentives so these companies can be as efficient, innovative, safe, and service-oriented as their managements can make them. This approach reflects the Commission's commitment to keeping utility rates as affordable as possible to the people of California while encouraging modernization of existing services and development of new technology and services.

G. Mitchell Wilk, President

Stanley W. Hulett, Commissioner

Frederick R. Duda, Commissioner

John B. Ohanian, Commissioner

Patricia M. Eckert, Commissioner

THE CALIFORNIA PUBLIC UTILITIES COMMISSION

Commissioner Stanley W. Hulett, Commissioner Frederick R. Duda, Commission President G. Mitchell Wilk, Commissioner John B. Ohanian, Commissioner Patricia M. Eckert

The California Public Utilities Commission (CPUC) regulates the service and rates of more than 25,000 privately-owned utilities and transportation companies serving California including privately-owned gas, electric, local and long distance telephone, radio-telephone, water and steam heat utilities and sewer companies; railroads, buses, trucks, and vessels transporting freight or passengers; and carloaders and pipeline operators. The number of each type of utility regulated by the CPUC during 1989-90 is contained in the Appendix to this report.

While the CPUC does not regulate city-owned or municipal or district-owned utilities, or mutual water companies, it does oversee safety for some municipal rail transit systems.

The major utilities which the CPUC regulates, and the acronyms used for them in this report are: American Telephone and Telegraph Company - California (AT&T-C), General Telephone Company (GTEC), Pacific Bell (Pacific), Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (Edison), and Southern California Gas Company (SoCal Gas).

This report covers the period from July 1, 1989–June 30, 1990. An organization chart and a description of each CPUC division is contained in the Organizational Functions section of this report. The Division of Ratepayer Advocates participates in CPUC proceedings to represent the long term interests of all classes of ratepayers and is referred to throughout this report as DRA. The Commission Advisory and Compliance Division provides technical advice to commissioners and enforces CPUC regulations and is referred to in this report as CACD.

Throughout this report Commission actions are identified by Investigation (OII or I.) numbers and Decision (D.) numbers. Requests by utilities and others for CPUC action are identified by Application (A.) numbers.

G. MITCHELL WILK

President

President Wilk was appointed to the California Public Utilities Commission in December 1986 after serving on the Governor's staff in both legislative and policy liaison roles. Prior to his government service, Mr. Wilk had extensive corporate management and public affairs experience.

While on the Governor's staff, Commissioner Wilk served as Deputy Legislative Secretary responsible for business, labor, and consumer affairs legislation. He later served as Special Assistant responsible for a wide variety of policy and public affairs liaison duties with business, agriculture, legislative, and other interest groups. He was also appointed by the Governor to the Executive Committee of the California Republican Party to represent and coordinate the Governor's participation in the Party.

Commissioner Wilk's corporate experience includes nationwide government relations responsibility for Fireman's Fund Insurance Companies, and he actively participated in such prestigious business associations as the California Business Roundtable and was President of the Bay Area Public Affairs Council.

Prior to moving to California, Commissioner Wilk had extensive corporate and government affairs experience in Washington, D.C. including serving on Congressional staff. Mr. Wilk is an Army veteran, and served with the 8th Special Forces Group in the Panama Canal Zone, and later in the Pentagon responsible for Congressional liaison duties.

Commissioner Wilk's education includes undergraduate and graduate degrees in economics and finance from the American University in Washington, D.C.

At the Commission, President Wilk has been particularly active in telecommunications and energy issues. Mr. Wilk is responsible for several major new policy initiatives and was the architect of the landmark incentive regulatory approach for the California telephone industry. He also actively sought and achieved regulatory improvements in the natural gas industry, including recent approval of new gas pipeline capacity serving California. Commissioner Wilk serves on the Telecommunications Committee for the National Association of Regulatory Utility Commissioners (NARUC) and was one of the thirteen state representatives appointed to the Joint FCC and State Conference Committee to consider the nationwide implementation of "Open Network Architecture" (ONA). Commissioner Wilk also serves on the NARUC Finance and Accounting, New Technologies, and Cable Television Task Forces.

Commissioner Wilk was unanimously voted by his colleagues in December 1988 to serve as President of the Commission.

STANLEY W. HULETT

Commissioner

Stan Hulett was appointed to the Public Utilities Commission by Governor Deukmejian in 1986 and served as the Commission's President in 1987 and 1988. Commissioner Hulett also serves as a member of the California Transportation Commission.

Mr. Hulett was born in San Francisco on July 31, 1938, and is a fourth generation Californian. He was educated in public schools in Willits, Mendocino County, and graduated from Menlo College in 1958 and Stanford University in 1960 with a degree in Political Science.

After ten years in the lumber industry, he served as a legislative assistant for a member of Congress. He later served as Associate Director of the National Park Service and Deputy Director of the Interior Department's Bureau of Outdoor Recreation. Following government service, he was a Vice President of the American Paper Institute in Washington, D.C., and Executive Vice President of the California Forest Protective Association in Sacramento, California.

Returning to government after the election of President Reagan, Mr. Hulett served the Department of the Interior as Assistant to the Secretary and Director of Congressional and Legislative Affairs. Mr. Hulett returned to California to serve as field representative for the Interior Department and later for the Secretary of Energy.

Mr. Hulett is married to the former Mary Ann Minenna of San Francisco. He is a member of the Executive and Electricity Committees of the National Association of Regulatory Utility Commissioners, the Electric Power Research Institute Advisory Council, and was appointed to the National Coal Council by the U.S. Secretary of Energy.

FREDERICK R. DUDA

Commissioner

Frederick Robert Duda was appointed to the Commission by Governor George Deukmejian on November 27, 1984 to fill the unexpired term of former CPUC President Leonard M. Grimes, Jr.

Commissioner Duda was born in Chicago, Illinois. His education at the University of Illinois at Champagne was interrupted by the Korean War, in which he served with the 24th Corps, 69th Engineering Topographic Company. After his honorable discharge from the U.S. Army, he returned to college. He received his B.S. Degree in Management at the University's School of Commerce. At Illinois, Commissioner Duda was placed upon the President's Scholastic Honor Roll and was a member of the University's Scholastic Honor Society.

He worked as a manager for Montgomery Ward & Co. from 1951 to 1954. From 1954 to 1959 he was a marketing executive for the Shell Oil Co.

He attended the University of San Francisco Law School and received his JD Degree in 1959, and was admitted to California and Federal Practice in 1960. In private law practice over a 27-year period Commissioner Duda's legal career included a variety of specialized legal work: criminal law, negligence, family law, warranty, product liability, and maritime and admiralty matters. He served as General Counsel for Local 192 of the Amalgamated Transit Union, AFL-CIO, which represents over 2,000 AC Transit workers. He has served as Judge Pro Tem in the Hayward-San Leandro Judicial District Municipal Court and as an arbitrator for the American Arbitration Association and Superior Court of Contra Costa County.

In East Bay communities Commissioner Duda has served on the Board of Directors for Children's Hospital Foundation, the Fred Finch Youth Center, United Bay Area Crusade (Board of Trustees), Oakland Symphony Orchestra Association, and as President of various clubs including Kiwanis Club of Lake Merritt and the Lake Merritt Breakfast Club. He also served as lieutenant governor of Division Two of the Cal-Nev-Ha District of Kiwanis International.

In addition, he founded and was chairman and coordinator of an Oakland drug abuse prevention and education program for elementary and high school students. He has also served as Director of the Alameda-Contra Costa Committee for Employment of the Handicapped. He won the Kiwanis Club "Man of the Year" award in 1967.

He is presently a member of the Commonwealth Club of California. He is Of Counsel to the law firm of Duda, Rahim and Ratto, a Professional Corporation and continues to serve as President and trustee of Frederick R. Duda Professional Corporation and its Retirement Trust.

He has been an active member of the National Association of Regulatory Utility Commissioners (NARUC) of Washington, D.C. since December 1984. There he serves as a member of the Natural Gas Committee and several of its subcommittees. He is also an active member of the Gas Research Institute (GRI) Advisory Council of Chicago, Illinois.

In May 1989 he was elected Chairman of the Research Board of the California Institute for Energy Efficiency (CIEE), an energy-efficiency research division of the University of California attached to the Lawrence Berkeley Laboratory. He was reelected as Chairman in 1990 for a second one-year term. CIEE was organized to coordinate long-range end-use energy efficiency research for California utilities, both municipal and private investor-owned.

He is a general partner of the Allen-Duda Real Estate Investment and operating partnership of Orinda, California. He is married to Barbara Benjamin Duda, his wife of 38 years. They have two married sons, Russell Elliott Duda of Oakland, California and William Eric Duda of Atlanta, Georgia.

During the year 1990, he served as Chairman of the Natural Gas Alternate Fueled Vehicle Commercialization Task Force, a NARUC Subcommittee. The objects and goals of this subcommittee were to aid the environment by encouraging the increasing use of cleaner vehicle fuels thereby lowering vehicle emissions and bringing cleaner air to California and other states of the nation.

JOHN B. OHANIAN

Commissioner

John B. Ohanian was appointed to the Public Utilities Commission by Governor George Deukmejian on March 5, 1987. His term of office will be for six years.

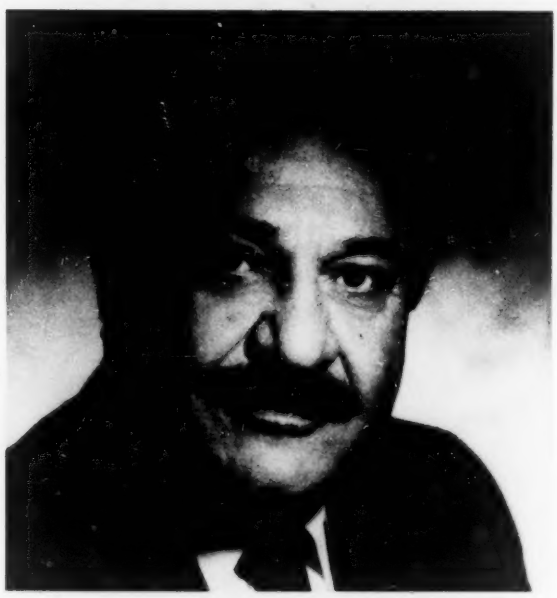
Commissioner Ohanian was born in Alexandrette, Turkey, on August 29, 1937. He was raised in Beirut, Lebanon. He came to the United States for his college education. He attended the California State University in Fresno from 1959 to 1963. From 1963 to 1965 he attended the Northrop University in Los Angeles, where he received his Bachelor of Science Degree in Mechanical Engineering.

Upon graduating, Commissioner Ohanian was employed by the Teledyne Corporation as a research and development engineer. From 1966 to 1969 he was employed by the State of California Water Resources Department as a mechanical engineer. There he designed portions of the California aqueduct system and its respective pumping plants.

From 1969 to 1983 Commissioner Ohanian was employed by the California Public Utilities Commission in the Transportation Division. He served as an expert witness in numerous Commission proceedings.

In 1983, Commissioner Ohanian was appointed by Governor Deukmejian to his Office of Planning and Research as the Chief Deputy Director and as Director of the Office of Permit Assistance.

Commissioner Ohanian resides in Fresno with his wife Eileen, his daughter Nicole, and his son Shant.



PATRICIA M. ECKERT

Commissioner

Patricia M. Eckert, appointed by Governor Deukmejian in March, 1989, is the first Commissioner from Southern California in more than twenty years.

She graduated cum laude with a degree in business from Parsons College in Iowa and obtained her Juris Doctor degree from California's Loyola University School of Law.

Prior to entering the private practice of law, Commissioner Eckert had fourteen years' experience as a business and marketing executive in three Fortune 500 corporations: Procter and Gamble, McGraw-Hill and The Dow Chemical Company and its subsidiary Bio-Science Laboratories. At Procter and Gamble, she directed consumer research studies and supervised the company's nationwide effort to understand the needs and wants of the consumer. Her work at Bio-Science included editing and publishing numerous technical handbooks and educational treatises including *Safety in the Clinical Laboratory*.

In 1982, Commissioner Eckert established the law firm of Eckert & Colman in Beverly Hills specializing in business law, real estate and estate planning. Her legal experience expanded to include extensive work in Federal litigation involving United States defense contracting matters and state hazardous waste cases. She is a member of the State Bar of California and the American Bar Association.

Commissioner Eckert has served on the State Bar of California's Commission on Judicial Nominees Evaluation and as a volunteer for the State Bar Committee on Attorney Discipline. In 1987, she was a gubernatorial appointee to the seven-member Dispute Resolution Advisory Council (DRAC) which promulgated guidelines and regulations to develop alternatives to the court system through mediation and arbitration.

Commissioner Eckert is a member of the National Association of Regulatory Utility Commissioners' Finance and Technology Committees, the Western Conference of Public Service Commissioners' Electricity Committee, and Women Executives in State Government.

Her community service includes volunteer work for the Richstone Center in Hawthorne which ministers to the needs of abused families. She served on the Center's Board of Directors in 1986 and 1987.

TELECOMMUNICATIONS

COMMISSION ADOPTS INCENTIVE REGULATION FOR LOCAL PHONE COMPANIES

Two phases of the Commission's three-phase investigation into how to change the way it regulates local phone companies (I.87-11- 033, Investigation into Alternative Regulatory Frameworks for Local Exchange Carriers) have been concluded. The investigation has focused on whether cost-of-service regulation continues to be appropriate given the new mixed monopoly/competitive telecommunications marketplace. Fundamental to the investigation has been the understanding that any regulatory change must be consistent with the Commission's goals of: universal service, economic efficiency, full utilization of the network, avoidance of cross-subsidy, encouragement of technological advance, financial and rate stability, and low-cost, efficient regulation.

PHASE I—Downward Pricing For Vertical Services

In September 1988, the Commission concluded Phase I of this investigation (D.88-09-059) and laid the foundation for increased competition between long distance and local phone companies by adopting a settlement proposed by the parties including the CPUC's Division of Ratepayer Advocates (DRA) and local and long distance phone companies. As a result, local phone companies now have downward pricing flexibility for Centrex and vertical services (call waiting, call forwarding, three-way calling, call hold and call pick-up). Pacific Bell (Pacific) and Continental Telephone Company of California (Contel) have taken the first steps toward establishing flexible pricing tariffs for Centrex and custom calling services.

PHASE II—Incentive Regulation for Pacific and GTEC (NRF)

The Commission's October 1989 Phase II decision (D.89-10-031) adopted an incentive-based regulatory framework known as the New Regulatory Framework (NRF) for Pacific and GTE California (GTEC) which replaces the traditional cost-of-service/rate-of-return regulation which the CPUC has used for the last 50 years. Smaller local phone companies were not made subject to the new framework. This decision came after 61 days of evidentiary hearings, 13 public participation hearings held throughout the state, and final oral argument before the Commissioners.

The New Regulatory Framework is intended to put the large local phone companies in the same position as other businesses with the same types of incentives, risks, and rewards that competition produces. This should stimulate the monopoly local phone companies to provide services more efficiently and to offer new services and lower phone rates.

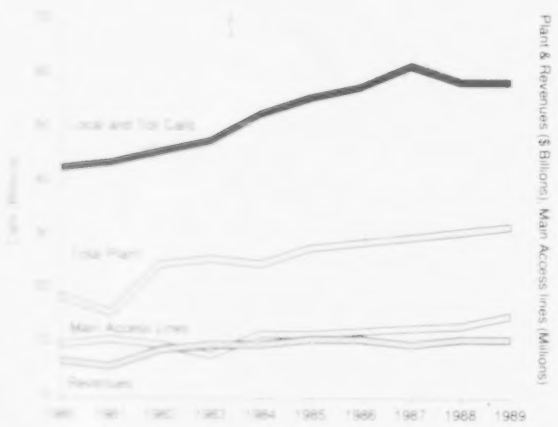
This New Regulatory Framework is centered around a price cap indexing mechanism, which ties the price of telecommunications services to a national pricing index adjusted to reflect the special circumstances of the telecommunications industry. The index includes a productivity adjustment of 4.5 percent, which is slightly higher than historic levels and ensures that ratepayers receive a portion of the benefits expected from incentive regulation. In other words, relative to inflation, telephone rates will fall 4.5 percent per year. Finally, if earnings achieved under this price cap regulation exceed a benchmark level, the utilities must share these earnings with ratepayers.

This decision also established policies affecting the pricing of telecommunications services that reflect the changing conditions in telecommunications markets and that should have positive consequences for both California ratepayers and the regulated utilities. Prior to the start of the incentive-based regulatory system, the decision ordered the calculation of a "Startup Revenue Adjustment." Based on this calculation, the Commission reduced Pacific's revenue requirement by $390.5 million, and increased GTEC's revenue requirement by $32.2 million (D.89-12-048). New rates took effect January 1, 1990.

General rate cases will no longer be used to determine rates. Instead, using the price cap indexing-productivity factor formula, rates now will be adjusted every year and effective January 1.

The Phase II decision also adopted several policies that give Pacific and GTEC greater flexibility in the conduct of business including a measure of flexibility to price all telecommunications services other than basic monopoly services, and authority to replace outdated switches to enable all Californians to participate in the information age.

GROWTH OF LARGE TELEPHONE UTILITIES
Pacific Bell, GTEC, Citizens, Roseville, ConTel)



NRF Pricing Flexibility

Rates for monopoly services (such as local and toll charges, operator services, and 411 services) will be set and changed only with CPUC approval. Future changes to monopoly rates will be made on a revenue-neutral basis so that the utilities do not profit from them.

Pacific and GTEC have downward only pricing flexibility (from rate caps approved by the CPUC as reasonable) for partially competitive services (such as information access services, high speed special access services, and billing and collection services). In order to protect against unfair pricing, price floors based on the costs of providing the services will be set by the CPUC, and the utilities cannot lower prices below those floors.

The two utilities have the maximum pricing flexibility allowed by law for enhanced services such as voice mail and electronic messaging, yellow page directory services, inside wiring services and any services found in the future to be fully competitive. A service would be considered fully competitive when the local phone company can show that it has no significant market power in offering the service. The reasoning here is that market forces will take the place of regulation to constrain prices.

NRF Unbundling of and Nondiscriminatory Access to Services

Companies which want to offer competitive services over the local phone network need to be able to use the local phone companies' monopoly pieces (services or network capabilities) in order to do so. The Phase II decision requires Pacific and GTEC to make monopoly pieces available to its competitors equally and at the same rate as the utility buys them from itself in order to offer comparable service. That is, each monopoly piece is to be "unbundled" from utility service so that it can be purchased separately.

NRF Price Caps and Sharing of Profits

The Commission will use a price cap indexing approach to establish a phone utility's revenue level coupled with a mechanism for sharing profits between shareholders and ratepayers and protecting both shareholders and ratepayers from the risks that the indexing method may over- or underestimate the revenue changes needed to keep a utility financially healthy.

The CPUC will use the GNP-PI (Gross National Product-Price Index) inflation index reduced by a productivity target of 4.5 percent for Pacific and GTEC. The 4.5 percent productivity factor is chosen higher than historical levels to ensure that ratepayers receive a significant portion of the benefits that will accrue from incentive regulation. Rates will fall or rise depending on inflation, less the 4.5 percent productivity factor, and with occasional adjustments for other factors over which neither the utility nor the CPUC have control, such as accounting and tax law changes. In effect, this challenges Pacific and GTEC to be at least 4.5 percent more efficient than the economy as a whole.

The sharing mechanism will be based on a benchmark rate of return of 13.00 percent which is 1.50 percent higher than the market-based rate of return which the Commission has estimated to be 11.50 percent for 1990. The benchmark rate of return may be reviewed based on movement in Treasury bond rates, and will be reviewed in 1992 as part of the overall review of the New Regulatory Framework.

The purpose of the sharing mechanism is to share with ratepayers the benefits of any efficiency gains which lead to profits above the benchmark level. The utility can earn up to a benchmark return on investment set slightly above market-based rates of return if it contains its costs and achieves the productivity targets the CPUC sets for basic monopoly and partially competitive services. Fifty percent of any earnings above the benchmark return for these services will be returned to the utility's customers through a surcredit on bills for basic phone service. All earnings above a cap set at 5 percent above the market-based rate of return will be returned to ratepayers.

Revenue losses will be borne entirely by shareholders in any year in which the productivity target is not met. If, however, the utility earns less than a floor set at 8.25 percent for two consecutive years, the utility can ask the Commission to reconsider the adopted inflation and productivity factors.

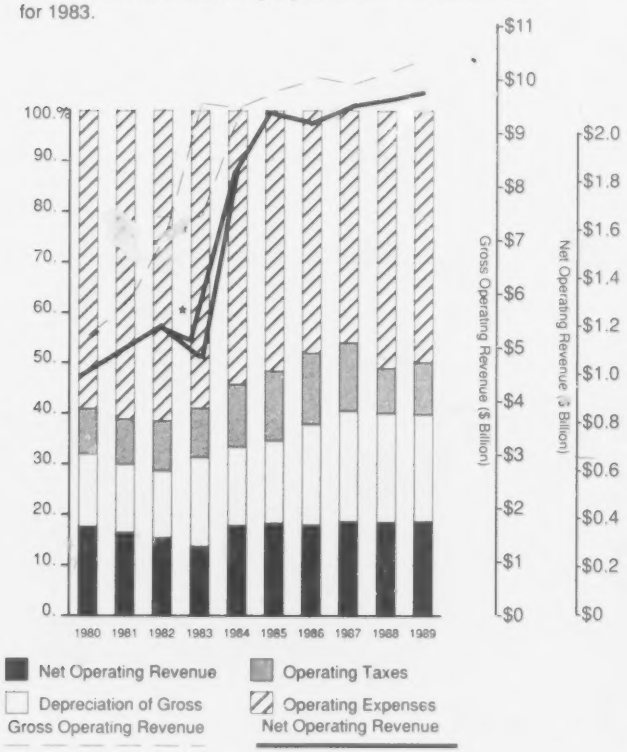
To prevent new competitive services from being subsidized by the revenues ratepayers pay for basic

phone service or other anticompetitive behavior, new speculative competitive services will be separated from all other services with strict cost accounting requirements based on fully allocated costs. This will prevent basic ratepayers from bearing the risks of developing and offering such services (that is, having rates affected by losses). The utility and its shareholders will bear all the risks of such services but also retain all the profits from them.

The Commission reasons that because Pacific and GTEC will be allowed to keep all earnings from basic monopoly and partially competitive services up to the benchmark rate of return before any sharing is required, they will have strong incentives not only to achieve but to exceed the productivity target.

DISTRIBUTION OF REVENUES AND EXPENSES LARGE TELEPHONE UTILITIES
(Pacific Bell, GTEC, Citizens, Roseville, ConTel)

Note: Pre-1983 revenues are for intrastate service only; Post-1983 revenues are on a total company basis. Both values are shown for 1983.



NRF Network Modernization

The Commission approved Pacific's proposal to replace outdated switching equipment of its network statewide. This will mean that Touch Tone, 900, 976 and 900 blocking and other modern telecommunications services will be available for the first time to about 8 percent or 950,000 Pacific customers (750,000 residential and 200,000 business) who previously were unable to have these services because old equipment in the areas where they live could not accommodate the new services.

Under incentive regulation, Pacific's proposal to replace feeder cable with fiber optics will be an investment decision that Pacific is left to make on its own without specific Commission approval. However, if Pacific eventually wants to install fiber optics in the local loop beyond the feeder cable, it first must get authorization from the CPUC to do so.

NRF Monitoring

While urging common sense consolidation of the reports it has previously required from the utilities, the Commission emphasized that it will continue to monitor productivity, service quality, customer growth, prices and costs of service, and the extent to which the utilities are making technological advances in the network, and will be alert to any diminution of service or quality of service or other adverse impact of the incentive regulatory program on ratepayers.

Through workshops, CPUC staff, local phone companies, and other interested parties are developing details of the monitoring plan to assure that meaningful data is compiled to allow the CPUC to measure the new incentive regulatory framework's impact on utilities, ratepayers and competitors and to evaluate whether the New Regulatory Framework is achieving the Commission's regulatory goals.

Forum

In adopting the New Regulatory Framework for Pacific and GTEC, the Commission recognized that general rate cases would no longer be available to allow telecommunications customers, competitors and interested parties to raise issues that would have been addressed in general rate case proceedings for these two utilities.

Consequently, the Commission opened an investigation (I.90-02-047) in February 1990 to create an ongoing forum to allow interested parties to bring to the Commission's attention issues which previously would have been addressed during each utility's general rate case, including: requests for changes to Pacific's or GTEC's access arrangements or availability of services, the application by Pacific and GTEC of unbundling and other policies established by

the New Regulatory Framework, and issues regarding monitoring of NRF.

This forum has already been used. In April 1990, the Teleport Communication Group filed a petition requesting that the Commission allow Teleport to co-locate or virtually co-locate its cable and electronics within Pacific Bell's central office facilities. Comments have been filed by various interested parties and a prehearing conference has been scheduled for September 1990.

PHASE III Is Ongoing

Historically, the local phone companies have been the sole provider of services within the boundaries of the state's eleven local phone service areas. However, some businesses now buy their own telecommunications equipment and provide their own phone service thus bypassing and competing with the local phone company.

Phase III of this investigation began in November 1989 to consider whether or not to expand currently allowed competition to include providing local toll service, WATS, 800 and private line services within each of the state's eleven local phone service areas; whether and how the system of intercompany payments and pooling of costs for telecommunications services should be modified; how to implement the expansion of the local calling area and eliminate touchtone charges; and how to change currently tariffed rates for telecommunications services. The Commission is expected to decide all of these issues except the last during 1990.

CHANGING CELLULAR REGULATION

The popularity and demand for cellular telephones in California has led to unprecedented growth in the cellular industry in this state.

Prompted in part by concerns about the apparent lack of competitive pricing in spite of this phenomenal growth, in November 1988, the Commission began an investigation into whether it should change the regulatory framework it adopted for this industry in 1984 and add safeguards for the protection of consumers, and procedures for the rapid expansion of new services and new technologies.

Two phases of this investigation have been completed. The first phase assessed the industry, service quality, consumer protection, ratemaking and regulatory issues specific to this industry. The second phase focused on the appropriate form of regulating the cellular industry, interconnection arrangements between cellular carriers and local phone company networks, cellular carrier retail operations, and independent resellers.

Based on its investigations, the CPUC's Division of Ratepayer Advocates (DRA) concluded that demand for cellular services was strong and future demand requirements would not be constrained by the capacity of the system; there was inadequate price competition, and existing financial reporting requirements did not discourage cost shifting between the highly profitable wholesale and at best marginally profitable retail operations of cellular service providers. DRA suggested that utilization of existing cellular networks could be improved and the Commission's regulatory requirements could be made more flexible.

The Commission issued an interim decision (D.90-06-025) in this proceeding in June 1990 which adopted the approach of relying on competitive forces to set prices for cellular service and to encourage expansion of service and use of new technology, while retaining regulatory protections to control potential harmful effects of a duopoly. The decision classified cellular service as a discretionary service, detariffed enhanced cellular services, gave greater downward pricing flexibility to cellular service providers, and provided that interconnections between cellular facility-based providers and the local phone company networks be based on standardized terms and offered on a non-discriminatory basis. Resellers were reclassified as non-dominant telecommunication carriers and the mandatory margins between wholesale and retail rates were eliminated. The Commission also permitted lower large-user rates for organizations not intending to resell cellular service at a profit.

However, the Commission kept open some issues to be resolved with input from interested parties through workshops or evidentiary hearings. Key open issues include: the opening of cellular networks to resellers to perform switching functions currently provided by local phone companies; modifying the cost allocation methodology to prevent possible cross-subsidization between wholesale and retail operations of cellular service providers; development of a streamlined certification process to facilitate development of cellular service in rural areas; and, the formulation of reporting requirements to enable the Commission to monitor the use and expansion of the cellular radio network.

The proceeding is expected to resume in late August to obtain this input, and the Commission is expected to issue a final decision in early 1991.

Rules for Siting of Cellular Towers

Cellular service providers are constructing more cell-site transmitter and receiver stations to meet the growing demand for cellular services in California.

Concerned with the proliferation of such structures, sometimes built without separate environmental reviews and despite the objections of citizens in surrounding communities, the Commission initiated a Rulemaking (R.90-01-012) in January 1990 to examine what regulations it should establish to control tower construction.

In June of 1990, the Commission issued a General Order establishing rules applicable to construction of new, and expansion of existing, cellular facilities. This General Order requires environmental assessments for all new cellular construction and ensures that all affected parties are afforded opportunities to voice their concerns prior to construction. Cellular service providers are to work with local authorities to obtain site and construction approval. The CPUC steps in only in cases where the cellular utilities can demonstrate that good faith efforts to obtain local permits have been met with unreasonable roadblocks or delays.

CONSUMER SAFEGUARDS ESTABLISHED FOR PAY PHONES

CPUC safeguards assure uniform pay phone rates and service.

In June 1990, the Commission put in place consumer safeguards (D.90-06-018) which will assure that anyone using a pay telephone will find a standard level of service and standard charge whether the pay telephone is operated by one of the three major local phone companies or by a private independent company. All pay phones will charge 20 cents for local calls with a minimum of 15 minutes; however, the pay phone provider may apply a surcharge of up to 25 cents on non-coin local calls.

The Commission's decision also establishes a procedure to ensure that local phone companies do not cross-subsidize their competitive pay phone activities with revenues they obtain for providing basic telephone service.

Although the Commission's order does not apply to the small independent local phone companies at this time, the Commission strongly encouraged them also to adopt the pay telephone safeguards if they provide or intend to provide access to telephone lines needed for Customer Owned Pay Telephone service.

At the Commission's direction, the CPUC's Commission Advisory and Compliance Division will hold workshops to address other issues relating to pay telephone enforcement, public policy pay telephones (telephones placed as a public service near parks and along roads and freeways to assure access to a telephone to serve the health and safety needs of the public), and tests of store and forward pay telephones (telephones that operate like "an operator in the box" and can complete collect calls without use of a "live" operator).

The Commission's decision ended its two-year investigation of the pay telephone industry in California and incorporated a settlement agreement proposed by AT&T-C, the California Payphone Association, Comsystems, Consumer Action, Contel, GTEC, Pacific Bell, and the CPUC's Division of Ratepayer Advocates.

EXPANSION OF LOCAL CALLING AREAS

As part of its Phase II decision (D. 89-10-031) in the investigation of alternative regulatory frameworks establishing incentive regulation for Pacific and GTEC, the Commission also ordered the expansion of local calling areas from 8 to 12 miles for all of California's local phone companies.

When this decision is implemented, the "local" calling area will extend to 12 miles, instead of 8 miles, from the nearest phone company switching office. Individual ratepayer's benefits will depend on their location and on what additional phone service areas (if any) will be added to their existing local calling area. Within this area, flat rate service customers may call at no charge in addition to their basic monthly rate, and measured rate customers pay local usage rates for calls after their allowance (if any) is exceeded.

ZUM To Be Offered In More Areas

Zone Usage Measurement (ZUM) is a telephone service pricing structure which enables business and residential customers to make calls to specific locations outside their local calling areas at reduced toll rates. ZUM pricing applies to all services except coin service, and is included in the usage allowance for measured rate services on the same basis as local usage. The ZUM plan consists of three calling zones. Zone One (0-8 miles) is the local calling area and calls within this zone are charged at local rates. Zone Two calls (9-12 miles) and Zone Three calls (13-16 miles) cover specific routes and are charged by the minute. The cost of Zone Two and Zone Three calls is about half the cost of a toll call of equal distance, duration and time of day.

Although the local calling area will be expanded to 12 miles giving both flat rate and measured rate customers a price break, for the purposes of pricing many other optional calling plans affecting both flat rate and measured rate customers which are based on ZUM zones (for instance, plans that enable callers to choose a specific community outside of the caller's "local" calling area but within 16 miles and be able to make calls to that community at greatly reduced rates instead of at the ZUM or toll rates), the mileage for each ZUM zone will remain as it is..

The ZUM plan was established in the San Francisco Bay and the Los Angeles metropolitan areas in 1979. In 1984 it was extended to Orange, Sacramento and San Diego Counties, and in 1986 to Contra Costa County. The Commission has authorized Pacific Bell and GTEC to establish the ZUM pricing plan in Los Angeles and exchange boundary reconfiguration in Los Angeles, Riverside, San Bernardino and Ventura Counties beginning in December of 1990.

Contel of California has proposed providing ZUM service in some of its service areas and a Commission decision on this matter is pending.

No Touch Tone Charge Soon

In its NRF Phase II decision D.89-10-031, the Commission ordered elimination of charges for residential Touch Tone service. The Commission also decided to consider proposals to eliminate Touch Tone charges for business customers and will consider this as well as issues relating to the quality of Touch Tone service in I.87-11-033. This investigation is expected to be concluded by the end of 1990.

Ongoing Look at RTU Regulation

The Commission's rulemaking (R.88-02-015) to examine its future role in regulating the Radiotelephone Utility (RTU) industry is continuing. Over one hundred certificated RTUs currently provide 1-way paging and 2-way mobile telephone (non-cellular) communications in California. This industry is competitive and prices have been going down while technology and the quality of service have improved.

The CPUC's DRA has recommended that the Commission relax its current regulatory requirements and eventually move away from regulating RTUs entirely. A Commission decision is expected in late 1990.

ACCESS TO UTILITIES' CUSTOMER INFORMATION

In January 1990, the Commission began an investigation (I.90-01- 033) to consider what customer information possessed by the telephone companies it regulates should be made available to other types of utilities and to competitors, and whether measures beyond those currently in place should be taken to protect the privacy of customer information.

With certain restrictions, utilities now make information about their customers available to other utilities, utility subsidiaries and many businesses. Public Utilities Code Section 2891 prohibits telephone companies from making a residential customer's calling patterns, credit information, list of services provided, or demographic information available unless that customer has given written consent to the phone company to do so - with the exceptions of information provided for inclusion in a directory, for directory assistance, zip code information, certain information provided to collection agencies, emergency service information, and information provided to law enforcement agencies under a Court order.

The CPUC's investigation will look into whether these legal restrictions on access to customer information are adequate and whether legitimate competitive needs can be facilitated within the bounds of existing legal restrictions.

DRA has recommended that there be no compromise to the current blanket protection afforded by CPUC-mandated tariff privacy rules, that with permission from customers, Pacific make available additional customer list information to Pacific Bell Directory's competitors, and that subscriber list information be priced at market values to maximize revenues.

DRA has also recommended the creation of new tariff privacy rules to guarantee gas and electric customers the same privacy protections afforded to telephone customers.

UPDATE ON 900/976 SERVICES

In March 1989, the Commission authorized Pacific Bell to begin offering its 900 Information Service in July 1989 and required Pacific to establish a number of consumer protections to avoid problems similar to those previously associated with 976 information services.

The consumer protections the CPUC required Pacific to establish include: an introductory message for each 900 call to inform the caller of the program content and charges and an 18-second delay to enable a caller to hang up if the caller does not want to proceed with the call; a one-time adjustment of charges for unauthorized or inadvertent calls; free blocking of 900 numbers for residential customers; a separate prefix for calls which contain matter the state Penal Code defines as "harmful" to children; and notification to a customer when the customer's combined 900/976 charges reach $75 ($30 for Lifeline customers) for the first time in a month. Additionally, when a customer's combined 900/976 charges reach $150 for the first time in one month and Pacific cannot contact the customer, Pacific will initiate temporary automatic blocking until the customer has been contacted, informed of the charges and given the opportunity to continue or discontinue the service.

AT&T, MCI, US Sprint and Telesphere also requested CPUC authorization to provide 900 service

within California, however, because they did not include sufficient consumer safeguards into their 900 service proposals (compared to those the Commission required of Pacific) in March 1990, the CPUC held workshops to discuss consumer safeguards and the long distance companies' proposed 900 service offerings. Evidentiary hearings were to be held in August 1990. At issue is whether the consumer safeguards currently in place for Pacific Bell's 900 service should or can be fully applied to other phone companies' 900 services. The Commission is expected to complete its deliberations on this matter by the end of 1990.

In February 1990, the Commission held hearings on methods to determine how the costs of blocking 900/976 services costs should be allocated between 900/976 information providers and Pacific Bell and GTEC (the two local phone companies which offer 900/976 services). Currently 900/976 information providers pay a blocking surcharge of 2.6 cents per minute to Pacific Bell and 2.6 cents per minute to GTEC. A Commission decision regarding the allocation of blocking costs is pending.

MORE TOLL-FREE CALLING FOR CALIFORNIANS

In April 1990, the Commission approved two new 800 services which significantly expand toll-free calling within California. As a result, AT&T and Pacific Bell began offering 800 services in April of 1990, and GTEC's request to offer a similar service is expected to be considered by the Commission in the Fall of 1990.

AT&T "READYLINE 800" customers will be able to offer toll-free calling to anyone to whom they have given their 800 READYLINE phone number. The new service is expected to be particularly useful for small and mid-size businesses which will be able to compete with large businesses who now subscribe to regular AT&T 800 services. In fact, more than 1,000 small businesses wrote to the CPUC requesting prompt approval of the service. READYLINE should also be useful to residential customers with relatives or friends who live far away or are in hospitals, nursing homes, or at colleges where they have no phone of their own for billing purposes. READYLINE customers can restrict their incoming toll-free calls to preselected geographic areas. AT&T's 800 READYLINE service must be used with local phone service telephone lines and instruments. A customer will not need to purchase additional equipment or lines in order to have READYLINE. The monthly charges for READYLINE 800 service are a fixed per line charge and an hourly usage rate.

Pacific Bell's new "CUSTOM 800," makes Pacific 800 service available for the first time on regular business telephone lines (it is not available on residence lines). Customers are able to choose to have CUSTOM 800 calls terminated to existing or new business lines, including Individual Measured Business (IMB), COMMSTAR, CENTREX and PBX trunks. In conjunction with CUSTOM 800, and for the first time in the nation, Pacific can also now offer access to the customer's selected long distance phone company for long distance calls within California. The monthly charges for CUSTOM 800 service are a fixed per line charge and hourly usage rates based on time and volume of calls.

MONITORING PACIFIC BELL AND GTEC AFFILIATE TRANSACTIONS

The CPUC keeps close tabs on the transactions between the utilities it regulates and their (unregulated) affiliated corporations.

In D.87-12-067, an interim decision in Pacific Bell's last general rate case, the Commission adopted new controls, guidelines and reporting requirements to regulate the relationship between Pacific Telesis' regulated subsidiary Pacific Bell and the various unregulated subsidiaries which are Pacific Bell's affiliates. These controls were needed to ensure that ratepayers are neither harmed nor benefited by activities between Pacific Bell and its unregulated affiliates.

Following a two-year period of implementation of these new guidelines audited by DRA, CACD, in an interim report to the Commission, reported the controls to be successful and strongly recommended their continuation.

In February 1990, the Commission denied (D.90-02-018) GTEC's request that its subsidiary, GTEL, be allowed to continue accepting service orders for regulated service in its Phone Mart stores. Based on DRA's analysis, the Commission concluded that GTEC had not demonstrated that this arrangement would maintain separation of regulated services from unregulated services and prevent cross subsidization of unregulated operations. The Commission did, however, grant GTEC's request to continue distributing telephone directories in the Phone Mart stores.

In a separate order (D.89-11-064), the Commission approved GTEC's plan to conduct a joint marketing pilot program with its banking customers; to do this, GTEC will combine its network sales staff into GTEL's CPE sales staff. GTEC must provide the CPUC with quarterly status reports until the pilot program ends at the end of 1990. If, after the trial period, GTEC wants to implement the program permanently, it must file a new application with the CPUC which justifies the program as being in the public interest, cost effective, and not subsidizing its unregulated operations.

Deaf and Disabled Telecommunications Program Actions

The Deaf and Disabled Telecommunications Equipment and Service Program enables deaf, severely hearing-impaired, and disabled persons to have access to telephone service at no additional charge to their basic monthly phone rate. Currently, about 20,000 Californians participate in this program. California's program was the first in the country and may serve as a model for a similar federal effort mandated by the recently enacted Americans with Disabilities Act, which would establish an interstate relay service within the next three years.

California's program includes the California Relay Service through which an operator can connect a deaf or speech-impaired caller using a teletypewriter (TDD) to a caller with normal hearing. The relay is open 24 hours a day, 7 days a week and every day more than 8900 calls averaging 6 minutes each are "relayed"

In 1989, the Commission reduced the surcharge all ratepayers pay to fund the program from one-half of one percent to one-third of one percent of their monthly telephone service charges.

In April of 1990, the Commission approved a budget of $31.6 million for the program, about $3.6 million more than last year's budget, but about half of the difference between the budget proposed by the program's administrative committee and that recommended by the CPUC's DRA.

In May of 1989, the Commission restructured the program to give members of the deaf, hearing-impaired and disabled communities greater voice in the program's decision-making process by developing three new committees: the Deaf and Disabled Telecommunications Program Administrative Committee, the California Relay Service Advisory Committee, and the Equipment Program Advisory Committee. The committees consist of representatives from the utilities, the Relay Service Provider, the deaf, hearing-impaired and disabled communities, and the CPUC. All three committees hold regular public meetings to accomplish their responsibilities of overseeing administration of the Deaf Trust, the Relay Service, and the equipment distribution programs. The Administrative Committee is developing a "request for proposal" for operation of the California Relay Service, which will be let out for competitive bid in 1990.

Lifeline Telephone Service

California's Universal Lifeline Telephone Service program, the first such program in the nation, was established in 1984 to ensure that every household that wishes to can have at least basic telephone service.

Eligibility for this program is according to household size and annual income: 1-2 persons - $13,600; 3 persons - $16,000; 4 persons - $19,200; 5 persons - $22,400; 6 persons - $25,600; 7 persons - $28,800; each additional household member, add $3,200.

Qualified subscribers receive: a 50 percent subsidy on the installation of a telephone; an allowance of 75 cents a month for the purchase or lease of a telephone; a 50 percent subsidy toward the basic rate; an allowance of 25 cents a month for the maintenance or repair of inside wire; and an allowance of 50 percent toward the FCC end user access charge (the FCC provides a 50 percent reduction in the charge to Lifeline customers).

By June 1990 this program served 1.5 million homes. The program is funded by a 3.4 percent surcharge on all long distance and toll calls within California. The 3.4 percent surcharge will be in effect through June 30, 1991, subject to Commission review. This surcharge is projected to produce revenue equal to the projected program costs for the fiscal year ending June 30, 1991.

REGULATORY FLEXIBILITY FOR AT&T-C PRODUCES LOWER RATES

In December of 1988, the Commission issued Decision D.88-12-091, which granted AT&T-California (AT&T-C) a limited measure of regulatory flexibility Generally, the flexibility provisions set up rate bands (not to exceed ± 15%) for each service built around a reference rate that is tied to those rates set in the last general rate case (Test Year 1986). AT&T-C's flexibility lies in its ability to file to change rates with just 5 days notice if the rate change is within these bands. The reference rate and associated rate band are automatically adjusted for such Commission actions as access charge reductions.

Since flexibility was instituted, AT&T-C's overall rates have declined 18.6 percent (based on AT&T-C's annualized intrastate revenues for 16 months ending April 30, 1990): 17.1 percent of the rate reductions are attributable to Commission-ordered local phone company lowered access charge flow-throughs to AT&T-C, and 1.5 percent of the reductions are attributable to AT&T's exercise of rate flexibility.

The CPUC maintains its regulatory authority over AT&T-C and the other long distance companies operating in California, and will continue to evaluate the effectiveness of flexible regulation in terms of its impact on consumers and competitors.

High Cost Fund Supports Small Telephone Companies

Six small local phone companies serving rural areas of California have lost revenues as toll rates have declined. The High Cost Fund was established to assure that service would continue to be provided at reasonable rates to the people living in these areas. Without financial support from the fund, phone customers in these areas would be faced with very high rates.

Long distance companies finance the fund by paying a common carrier line charge to the 22 local phone companies operating in California. Because the volume of long distance calling within the state has gone up, this year the Commission was able to authorize a reduction in the common carrier line charge; the reduced charge will still yield the $14.9 million needed to provide additional support to the six small local phone companies: Volcano Telephone, Evans, CP National, Sierra Telephone, Tuolumne, and Foresthill Telephone.

GTEC Revenue Reduction

In February 1990, the Commission's D.90-02-050 adopted a rate design for GTE California (GTEC) in connection with its 1988 General Rate Case. In recognition of the fact that ratepayers within California should enjoy similar pricing for similar services, the CPUC adjusted GTEC's rates for some services to more closely resemble Pacific Bell's rates. There was no change in the rate for basic residential and business service. However, rates for various other services were changed, amounting to a net revenue reduction for GTEC of $30.9 million.

Since the CPUC had already established the reasonable annual revenues for GTEC in prior decisions, that $30.9 million decrease in billed rates will be recovered by a 4 percent increase in GTEC's surcharge on exchange services. Further changes to these rates and surcharges are to take place in the supplemental rate design phase of I.87-11-033 (Investigation in the Alternative Regulatory Frameworks for Local Exchange Carriers).

Pacific Bell Modernization Settlement

In 1985, during the course of its review of Pacific Bell's 1986 test year rate application, the DRA began an investigation into Pacific Bell's decision-making practices regarding investments it made to update and improve its facilities and network. Based on its examination and that of its independent consultant of a limited sample of Pacific's projects, DRA concluded that Pacific had spent billions of dollars to update and improve its facilities without having appropriate economic and engineering data and without considering more economic alternatives. Pacific's independent consultants, on the other hand, concluded that virtually all of the modernization projects were sound.

With reports of the two major consultants in conflict, regulatory procedures would require extensive and protracted litigation with final resolution by the Commission. To avoid this costly and time-consuming process, DRA and Pacific sought instead to resolve the conflicting claims with a settlement which they proposed to the Commission in March of 1988.

In March 1990, the Commission concluded the investigation and approved the settlement agreement proposed by Pacific and DRA which reduced rates for Pacific Bell's customers by $36 million for each of the next four years (D.90-03-075). The reduction gives customers a surcredit of 1 percent on charges for local service on their monthly bill. In addition, DRA and one of the consultants involved in the investigation will review Pacific's capital investments to assure that in the future Pacific pursues sound investment practices which are in the best interest of ratepayers.

Inside Wire Maintenance

The Federal Communications Commission (FCC) deregulated the installation and maintenance of inside wire starting in 1983. Inside wire is the telephone wire that connects the customer's equipment to the telephone network at a demarcation point.

In 1986, the CPUC ordered the local telephone companies to detariff inside wire installation and maintenance (D.86-12-049). However, there were concerns that the inside wire of residential and certain business customers might be so integral to the utilities' operations that the utilities would have a natural competitive advantage over other firms in providing maintenance services. To partially address this concern, the CPUC required the utilities to treat revenues and expenses from inside wire maintenance as part of the regulated revenue requirement. The CPUC also petitioned the FCC for reconsideration of the FCC's deregulation decisions, and filed a similar pleading with the U.S. Court of Appeals.

The Court addressed the CPUC's petition for reconsideration, finding in favor of the CPUC on several issues. In June 1990, the CPUC issued an order requiring California's local telephone companies to reduce their rates by the amount of revenues collected for providing inside wire maintenance, and to tariff their inside wire maintenance services (D.90-06-069).

FEDERAL PROCEEDINGS

The CPUC is representing the interests of the State of California by participating actively in a number of proceedings before the Federal Communications Commission and in the federal courts involving fundamental changes in the structure and regulation of the national telecommunications industry.

As a result of changing technologies, changing market conditions in the wake of the 1984 breakup of the Bell Telephone System, and changing federal regulatory policies, numerous issues of significant concern to California have arisen in these federal forums. Such issues include how best to encourage continued technological advancement and the competitiveness of the U.S. telecommunications industry while preserving the fundamental goal of low-cost universal basic telephone service; how best to promote full and fair competition where viable competition exists; how to protect against anti-competitive practices and cross subsidies of competitive services by monopoly utility services; and whether the CPUC will continue to have the authority to tailor the terms and conditions upon which telecommunications services are provided within California to the special circumstances and needs of the state.

Appeal of FCC's Computer III Decision

The United States Ninth Circuit Court of Appeals in San Francisco ruled in June 1990 that the Federal Communications Commission (FCC) violated federal law when it concluded that states may not develop their own policies governing how intrastate enhanced telecommunications services are provided within each state. (*People of the State of California v. FCC,* No. 87-7230.) Enhanced services are telecommunications services utilizing computer capabilities, such as: alarm services, electronic mail, voice mail, gateway services, automatic meter reading and database services.

The Court decision finds the FCC's attempt to preempt the states to be inconsistent with the requirements of the Federal Communications Act, and that the FCC's attempt to eliminate structural separation requirements was arbitrary, capricious and not supported by the evidence. The Court's ruling preserves a state's authority and flexibility to tailor the provision of enhanced services within a state to the circumstances existing in that state.

The Ninth Circuit Court ruling vacates the FCC's 1986 and 1987 Third Computer Inquiry decisions in which the FCC precluded the states from prescribing the terms on which the Bell telephone companies provide intrastate enhanced services, and precluded the states from requiring the provision of enhanced services through separate subsidiaries. According to the Court those FCC orders did not give due deference to the role of the states in establishing the appropriate means for the provision of intrastate enhanced services.

Open Network Architecture (ONA)

ONA is a regulatory framework which, when fully implemented, will ensure that all providers of enhanced telecommunications services have access to certain capabilities of the regulated telecommunications network on equal terms and conditions. ONA is a means by which competitive enhanced services (generally computer processed applications) can be separated from traditionally regulated basic telephone network services. While the CPUC has supported both federal and state implementation of ONA, the Commission has opposed the FCC's requirement that basic service elements, which have traditionally been regulated at the state level, be tariffed at the federal level.

Modified Final Judgement

AT&T and the Bell Operating Companies (BOCs) provide telecommunications services subject to the continuing oversight of the Federal District Court under the terms of the Modified Final Judgement of the AT&T Consent Decree. The Modified Final Judgement prohibits the BOCs from attempting to provide equipment manufacturing, information services, and interexchange services. The appropriateness of these restrictions is under review both by Judge Greene, and by Congress which is considering legislation which would remove these restrictions in part. The CPUC has, and will continue to carefully evaluate these proposed changes to ensure that California's interests are brought to bear in this ongoing debate.

PUBLIC ADVISOR

The Public Advisor's offices in San Francisco, Los Angeles and San Diego have assisted thousands of consumers who requested information and advice about how to participate in CPUC proceedings.

Public Advisor's Office in San Diego

In August 1989, the Commission opened a Public Advisor's office in San Diego to provide San Diegans with local access to the Commission. This office has conducted numerous workshops to educate individuals and groups about how to participate in Commission proceedings, in particular, the proposed merger of Southern California Edison and San Diego Gas & Electric Company.

As a result of the strong interest in the Edison/SDG&E merger, the Public Advisor's staff held workshops in various locations throughout Los Angeles and San Diego counties.

The Public Advisor and his staff also attended the thirteen Public Participation Hearings held in both Edison and SDG&E service territories to assist persons wanting to speak to the Commission on the merger proposal and comment on the draft Environmental Impact Report prepared by CPUC staff. The Public Participation Hearings drew large crowds and at some sites there was standing room only. The Public Advisor's staff prepared and distributed hundreds of packets of information containing the different positions of many of the parties involved in the proposed merger proceeding, summaries of CPUC staff testimony and draft EIR, and general information about the CPUC and its procedures.

Local politicians, the news media, the business community, and utility customers keep the San Diego Public Advisor's office busy answering questions about the proposed merger and energy, telecommunications, and transportation matters as the office continues to be a conduit to the Commission for California's second largest city.

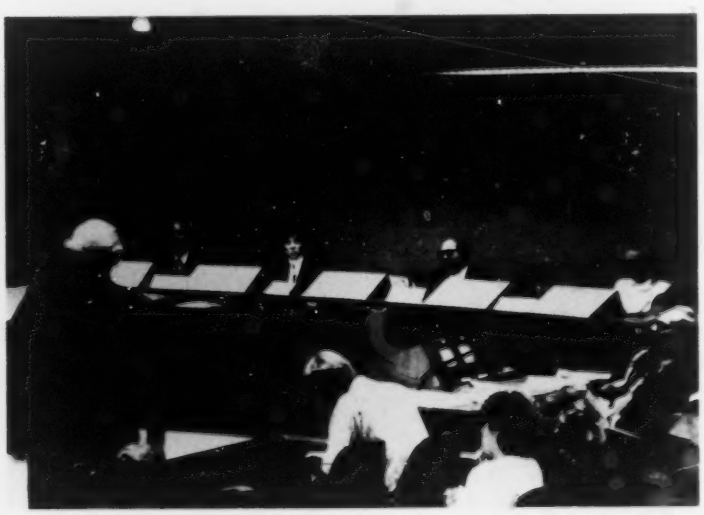
Major CPUC Proceedings With Public Hearings

The Public Advisor and his staff also attended public participation hearings in other major cases before the Commission including: the Commission's investigation into the pay telephone industry; Pacific Bell's and GTEC's proposed changes in Zone Usage Measurement (ZUM) calling routes; and the Commission's investigation into the rates and practices of the household goods movers industry. Public Advisor's staff answered questions about the CPUC and assisted people who wanted to speak at the hearings.

In addition, Public Advisor's staff attended workshops to implement General Order 156 regarding increased participation of women and minority business enterprises in utility contracts. Staff also attended the 1990 Department of Consumer Affairs, Energy/Telecommunications Conference.

Commission Holds Public Forum in San Bernardino

In October, 1989 the Commission held a public forum in San Bernardino. The Commission holds public forums in various parts of the state to enable people, who might not otherwise have the opportunity, to address the Commission on a wide variety of issues of concern or interest to them.



Commissioners Patricia M. Eckert and John B. Ohanian (center), CPUC Assistant Executive Director Wesley Franklin (left), and CPUC General Counsel Jan Kerr (right) heard citizens' concerns at the CPUC's Public Forum in San Bernardino.

Publications

The Guide for CPUC Intervenors is a handbook designed to assist and encourage the public's participation in Commission proceedings. It explains how to participate, and describes the types of proceedings and what the public needs to know to participate effectively. *The Annotated Bibliography of CPUC Intervenor Compensation Decisions* lists the awards the Commission has made to various consumer groups for their substantial contributions to CPUC decisions. Both publications are available without charge from any of the Public Advisor's offices.

Telecommunications Education Trust

The Public Advisor's office has also been involved in the organization and operation of the Telecommunications Education Trust. The Trust was established by the Commission after it found that Pacific Bell violated CPUC rules in 1985-86 by pressuring and misleading customers into buying unwanted or unneeded services. The CPUC ordered Pacific Bell to discontinue such marketing practices, to make refunds to affected customers, and to pay $16.5 million of shareholder funds to establish the Trust. The Trust was formally established in May of 1988.

The purpose of the Trust is to fund telecommunications consumer education programs in California to help consumers make educated choices about service and equipment options in the increasingly complex and competitive telecommunications market.

The Trust operates under authority of the CPUC and is administered by the California Community Foundation. The Trust is governed by a five-member Disbursements Committee composed of two consumer representatives, a representative from Pacific Bell, a representative from the CPUC's Division of Ratepayer Advocates, and the CPUC's Public Advisor. The Committee determines objectives, evaluates program proposals, and makes funding recommendations to the Commission.

In June 1989, the Commission adopted the recommendation of the Trust's governing body and awarded nearly $5 million to 32 groups throughout California.

Each year for the next five years, the Trust plans to distribute about $3 million to qualified groups to develop and implement these educational programs.

ENERGY

PROPOSED MERGER OF EDISON AND SDG&E

In December 1988, Southern California Edison (Edison) filed an application to merge with San Diego Gas and Electric Company (SDG&E). The proposed merger would create the largest energy public utility in the nation. In late 1989, Edison and SDG&E submitted joint testimony on the merger benefits which estimated that the merger would produce significant capital and operational savings because the merged utility's revenue requirement would be reduced by $1.7 billion between 1990 and year 2000.

DRA investigated the applicants' claims, looking for both additional benefits that might have been overlooked or understated and additional risks that had to be considered, and analyzed the two utilities on a stand-alone basis as well as a merged basis.

DRA also analyzed the effect the merger would have on Edison's non-utility affiliates and concluded that the merger would increase the amount of money available for expansion of non-utility affiliates and subject SDG&E's ratepayers to questionable relationships between Edison and its affiliates. DRA made several recommendations to limit the risks associated with non-utility operations and eliminate Edison's ability to self-deal with its affiliated companies.

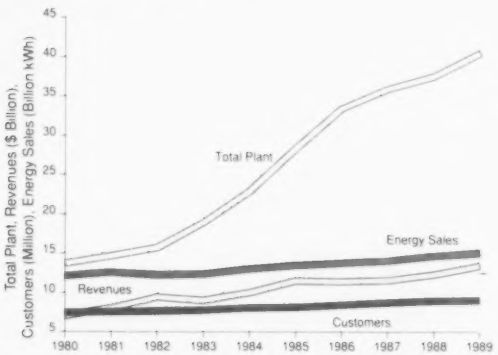
DRA analyzed the workforce requirement of the merged utility and raised questions about whether the claimed revenue savings that might be attributed to the merger would actually materialize. DRA recommended that the Commission deny the merger unless Edison and SDG&E amended their proposal to make it beneficial to ratepayers.

To assist the public in participating in this proceeding, the CPUC set up a temporary Public Advisor's Office in San Diego and held public participation hearings throughout April 1990 in San Diego, Santa Ana, Long Beach, Ventura, San Gabriel, Ontario, Los Angeles, Chula Vista, Escondido, Vista and El Cajon. Evidentiary hearings began in April in San Diego and were ongoing throughout July 1990.

CPUC President G. Mitchell Wilk and Assistant Chief Administrative Law Judge Lynn Carew listened to citizens' views on the proposed Edison/SDG&E merger.

The Commission found in February 1989 that the merger is considered a "project" under the California Environmental Quality Act and, consequently, that preparation of an environmental impact report was required. CPUC Commission Advisory and Compliance staff oversaw preparation of a Draft EIR. The Draft EIR found that the merger would result in potentially significant impacts in air quality, water quality, fisheries and land use resulting from physical changes in operations (generation dispatch) and change in future resource development plans, including the deferral or cancellation of generation and transmission line facilities. The CPUC issued the Draft EIR in April 1990 after extensive public input and analysis. A final EIR was expected to be completed by August of 1990 and will become part of the record in this proceeding which the Commissioners will consider in making a final decision about the proposed merger.

GROWTH OF LARGE ELECTRIC UTILITIES
(PG&E, SDG&E, Edison, PP&L)



NEW LOW-INCOME ENERGY RATEPAYER ASSISTANCE PROGRAM

Fulfilling the legislative requirement contained in Senate Bill 987 (June 28, 1988), in the fall of 1989, the Commission established the Low-Income Ratepayer Assistance (LIRA) program for energy consumers.

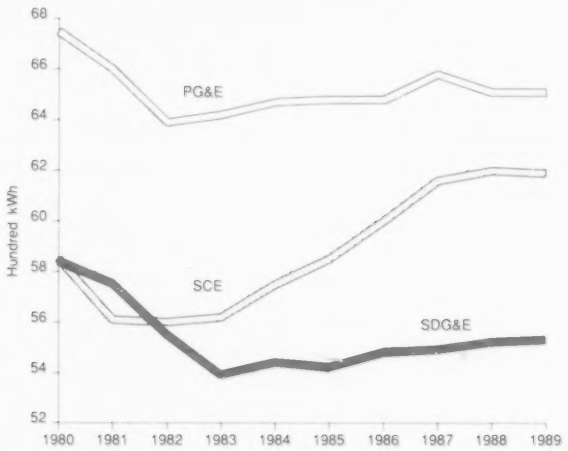
As outlined in D.89-09-044, LIRA gives [illegible] percent discount off the rates for both baseline and nonbaseline residential gas and electricity consumption, as well as (where applicable) the minimum bill and/or customer charge to low-income customers who meet the eligibility criteria for the Universal Lifeline Telephone Service program. Other ratepayers, except certain exempt classes such as streetlighting and wholesale customers, fund the program through a surcharge applied to their energy bills.

The LIRA program specifically targets energy consumers who would most benefit from assistance - low-income ratepayers. Before LIRA, all residential ratepayers enjoyed the same price break on baseline usage (a specified quantity of energy available to ratepayers at a reduced rate), thereby contributing to higher-than-necessary nonbaseline rates.

With LIRA in place, the Commission is using the baseline pricing flexibility granted by Senate Bill 987 to realign the residential rates for each utility to eliminate the differential between baseline and nonbaseline rates.

The principal administrative task facing the LIRA program in the coming year will be reaching out to and enrolling the remainder of the eligible customers. About 25 percent of each major energy utility's customers are eligible to participate in the LIRA program.

RESIDENTIAL ELECTRIC SALES PER CUSTOMER
CLIMATICALLY ADJUSTED 12 MONTHS ENDED



AN ENERGY EFFICIENCY BLUEPRINT FOR CALIFORNIA

Within a one-year period, all four of the major California energy utilities have participated with consumer groups, environmental groups, and other governmental agencies in an innovative process which is likely to restructure the nature of the utilities' Demand-Side Management (DSM) programs.

The emphasis would be to promote cost-effective and efficient use of energy as a less costly alternative to meeting California's future energy needs than building power plants or purchasing energy.

Demand-Side Management refers to energy programs designed to change customer use of gas and electricity to improve the efficiency of the energy utilities' systems. Three ways to accomplish this are through: conservation (reduction of overall energy consumption); load management (encouraging consumption at off-peak times of the day and night); and fuel substitution (use of natural gas instead of electricity and vice versa).

In July of 1989, the Commission held an en banc hearing (the five commissioners meet as a body to hear testimony) on the status and future of DSM and concluded that it was time to renew the leadership position of California in promoting energy efficiency. The Commission called for a "collaborative process" involving all of the major interested parties to determine how best to expand the utility energy efficiency programs as a means of managing demand. The Commission also stated its support for the creation of new rate-making mechanisms to give utilities incentives to implement effective energy efficiency programs because they would also be able to increase shareholder earnings depending on the success of those programs and meeting specified goals.

In January 1990, the participants in the California Collaborative produced *An Energy Efficiency Blueprint for California* which outlined the utilities' proposals for expanded energy efficiency programs and profit opportunities for the utilities' successful implementation of these programs. The plans called for the expansion or introduction of programs which will encourage: business and residential customers to conserve energy and use energy efficient materials and appliances; architects and builders to build new energy efficient buildings and to retrofit buildings to conserve energy; and manufacturers and retailers to design, produce, and sell energy efficient appliances and materials.

A Commission decision on the utilities' proposed programs is expected by late summer, 1990.

CPUC Participates in Clean Alternative Fuel Vehicle Programs

The CPUC has purchased, and Commissioners are using in the conduct of Commission business, clean alternative fuel vehicles as part of two pilot programs intended to demonstrate the viability and future of clean alternative fuel vehicles to improve California's air quality and lessen consumer dependence on petroleum-based fuel.

The California Energy Commission (CEC) has undertaken one of the pilot programs to place clean alternative fuel vehicles in fleets to demonstrate the technology and obtain "in-use service" information. The other pilot program is run by a consortium of California natural gas utilities.

Both the CEC and the CPUC view clean alternative fuel vehicles as one part of California's vigorous effort to promote energy efficiency and conservation in order to improve the state's air quality and to contribute to the national goal of reducing reliance on petroleum-based fuels and imported oil.

The CPUC's participation in the programs is consistent with its recent push to encourage the state's natural gas and electric utilities to renew their efforts to operate efficiently and to develop and implement programs which encourage efficient use of energy and conservation of energy.

By participating in the clean alternative fuel pilot programs, the CPUC is setting the example it hopes the utilities it regulates, including over 25,000 transportation companies in the state, will emulate. The CPUC is one of the few state agencies participating in the programs, along with local governmental agencies, corporations, utilities, and the state legislature.

Commissioner Frederick Duda and CPUC Executive Director Neal Shulman filled up one of the CPUC's clean alternative fuel vehicles at a methanol fueling station.

Two recently-enacted California laws promote the use of clean-fuel vehicles by exempting the cost of the added equipment on the vehicles to use clean alternative fuels from the state's sales tax, and by requiring that 25 percent of new vehicles purchased by California state government have clean-fuel capability.

ELECTRICITY

Potential Health Effects of Electric and Magnetic Fields

Increased public concern about possible health effects of electric and magnetic fields has been growing in recent years. Senate Bill 2519 (Rosenthal) ordered the CPUC and the State Department of Health Services (DHS) to prepare a joint report to the legislature on potential health effects of electric power facilities and to undertake further scientific research. A one-time $1 million charge was levied on the state's electric utilities to fund the work.

The CPUC forwarded a report to the legislature in December 1989 which summarizes the scientific research completed to date. Several studies have been published which confirm some association between above-average electric and magnetic fields and various forms of cancer or other health problems. However, it is not yet known with certainty that these fields are in fact responsible for the increased incidences of observed health problems. While these studies, for the most part, are inconclusive, the contained findings are a cause for concern. The actual nature and extent of such effects is the subject of much controversy within the scientific community. At this time, such effects are not sufficiently well understood to warrant direct regulation of fields around electric power facilities.

The report made several recommendations on additional research needed and on possible regulatory analysis that could be performed. The research programs are directed by DHS. An interim report will go to the legislature in December of 1990 and a final report is due at the end of 1992.

Kramer-Victor Transmission Line

Southern California Edison filed an application (A.89-03-026) to construct and operate a 220 kV transmission line in March 1989. The proposed line is 36.5 miles long in the desert of San Bernardino County, and would connect two independent alternative generation projects with the Edison system. The Commission is expected to act on this matter in the fall of 1990.

Under 200 kV Power Lines

Under the Commission's current General Order (GO) 131, electric utilities are required to file for CPUC approval to build and operate transmission lines of 200 kV or greater. Lines under 200 kV do not require CPUC approval for construction, and as a result, there is no CEQA review prepared.

At the same time, the local governments have been preempted from performing this review. The legislature, other state agencies and local governments raised concerns over this lack of environmental review.

After extensive meetings with the utilities and public workshops, proposed revisions (GO 131-D) to the Commission's rules were issued for public comment in November 1989 as part of I.83-04-033. GO 131-D would require utilities to file with the CPUC for authority to construct 50-200 kV transmission lines, and the CPUC would serve as lead agency under the California Environmental Quality Act (CEQA) and perform an environmental review. Comments were received on the proposed rules in January 1990. Action by the Commission on GO 131-D is expected in the Fall of 1990.

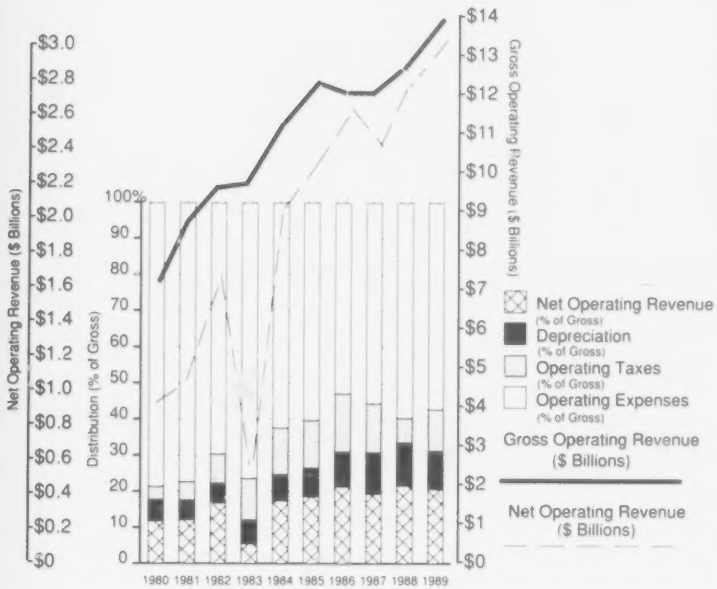
California-Oregon Transmission Project

Edison, SDG&E, and PG&E have worked together with DRA to analyze the California-Oregon Transmission Project, a 1600 megawatt transmission line planned by a consortium of independently-owned utilities and municipally-owned utilities. The modelling and analysis performed jointly by the participants and their consultant is taking place under the auspices of a Joint Study Agreement signed in July of 1989.

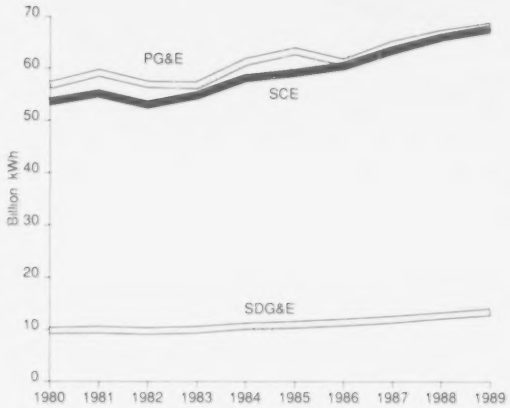
This detailed study effort examines the costs and benefits of the project for each of the three utilities, factoring in the availability of out-of-state purchases, California-wide resource plans now and fifteen years hence, and the current transmission grid and utilization. The joint study is to culminate in the fall of 1990 with each of the three utilities filing applications for certificates of public convenience and necessity with the CPUC.

Two previous applications were rejected by the CPUC. The difficulty in analyzing such a large project provided the opportunity for DRA and the independently-owned utilities to work together in advance of the filings to develop a common set of assumptions and data, even though each party may use that data to develop conflicting positions.

DISTRIBUTION OF REVENUES AND EXPENSES LARGE ELECTRIC UTILITIES


Net Operating Revenue ($ Billions)
Distribution (% of Gross)
Gross Operating Revenue ($ Billions)
Net Operating Revenue (% of Gross)
Depreciation (% of Gross)
Operating Taxes (% of Gross)
Operating Expenses (% of Gross)
Gross Operating Revenue ($ Billions)
Net Operating Revenue ($ Billions)
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989

MAJOR ELECTRIC UTILITIES RECORDED ELECTRICITY SALES OTHER THAN RESALE



Special Contracts Used To Prevent Bypass

Special contracts are used by California's utilities and the Commission to prevent uneconomic bypass. Uneconomic bypass occurs when a customer generates or purchases electricity at a cost higher than the utility's marginal cost of service, but lower than the utility's current rates. Special contracts consist of rates negotiated for customers who might find bypass economically attractive.

During the 1989-1990 period, the Commission held hearings on the reasonableness of seven special contracts signed by PG&E under the authority granted by the Commission in the I.86-10-001 proceeding. DRA recommended that part of the costs be disallowed. A Commission decision is pending.

In December 1988, Southern California Edison received CPUC approval for a contract with Dow Chemical (Dow). The review of the Dow contract was deferred to and completed during the 1989-1990 period. A Commission decision is pending. In addition to the Dow Contract, Edison entered into a contract with ARCO Oil and Gas Company (ARCO) during the 1989-1990 period. An application for review of the ARCO contract was filed by Edison in June 1990; this review will be completed during the 1990-1991 period.

Diablo Canyon

PG&E currently obtains approximately 17 percent of its power from its Diablo Canyon Nuclear Generating plant. Under the terms of the 1988 Settlement Agreement, revenues PG&E obtains from Diablo's operation are based on the amount of electricity Diablo produces.

Safe and reliable operation of the plant is of primary importance to the utility. And, while costs and operations of the plant are no longer subject to CPUC reasonableness reviews, its safety and reliability are nevertheless very important to the Commission. The Commission's Finance Branch monitors the financial well-being of Diablo and its relationship to the utility and reports its findings to the Commission. The 1989 report showed good financial success for PG&E operations for the first full year under the terms of the Settlement Agreement.

The Settlement Agreement also called for the formation of a 3-member independent Diablo Canyon Safety Committee to oversee the safe operation of the plant. Following a nationwide search, in 1989, CPUC President Mitchell Wilk joined with Dr. Karl Pister, the Dean of Engineering at the University of California, Berkeley and PG&E's President George Maneatis in nominating nine individuals to serve on the committee. Of this group of nominees, two members were appointed by Governor George Deukmejian and California Energy Commission Chairman Charles Imbrecht respectively. In 1991, the Attorney General is expected to fill the last seat from a new list of nominees compiled by the CPUC, UC's Dean of Engineering, and PG&E.

ELECTRICITY NEEDS AND RESOURCES

The CPUC's Biennial Resource Plan Update (BRPU) proceeding currently in progress is the forum for determining whether utilities should contract for needed amounts of new power from QFs. QFs as defined in the Public Utility Regulatory Policies Act of 1978 are cogenerator or small power producers which can sell their electricity to public utilities; the utilities pay for QF electricity based on the utility's avoided cost of power.

The proceeding quantifies the megawatts needed by the utilities based on their long-term, least-cost resource plans. Where such analysis indicates a need for new generation, and it is determined that QFs could supply that power instead, the QFs will be given a chance to bid to supply the megawatts themselves and thus the utilities can "defer" construction of additional facilities to supply the needed power.

Phase 1A of the BRPU concluded in February, 1990 by establishing a "base case" long-term resource plan for the three major investor-owned electric utilities--Pacific Gas and Electric, Southern California Edison and San Diego Gas and Electric. At that time, the CPUC determined that neither PG&E nor Edison would require new generation resources within the 1990-1997 planning horizon, and therefore that there was no need for either of these utilities to solicit bids from QFs.

In contrast, the CPUC found that SDG&E would require several hundred megawatts of new generation capacity; however, the CPUC suspended putting this need out to bid pending the outcome of Edison's proposed merger with SDG&E.

Phase 1B of the proceeding, to conclude in December 1990, addresses refinements to several aspects of the CPUC's system for procuring generation resources from QFs. These include: establishing the final form of the auction procedure (or "bidding protocol"); revising the payment structure and contract terms for the Standard Offer 4 version of QF contracts; determining how to include non-price factors like environmental concerns in the procurement process; and examining how to treat interutility power contracts, as well as forecasting and planning uncertainty, in the development of utilities' resource plans.

NATURAL GAS

Gas Industry Restructuring

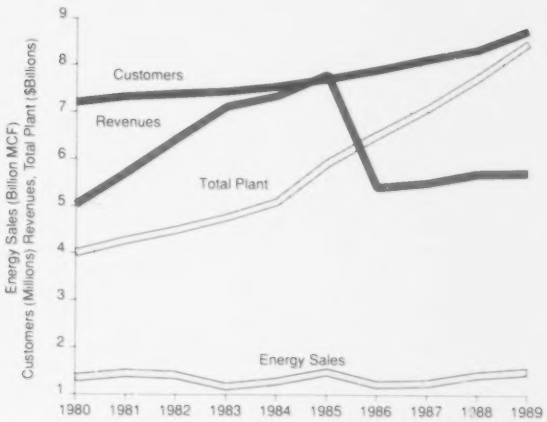
In 1986, the Commission issued the first in a series of decisions which began the restructuring of the natural gas industry (D.86-12-009 et al.) to create a more competitive gas market by promoting competition between utilities and alternative fuel providers serving industrial and other large gas customers.

In 1986, the Commission divided the markets utilities serve into "core" and "noncore" customer groups. The core consists of residential and small commercial customers who rely upon the utility for both supply and transportation service. The noncore are large commercial and industrial customers who are able to switch to alternative fuels. The utility continues to provide both supply and transportation service (bundled service) to the core customers, but noncore customers receive unbundled service, which allows them to select the level of service they desire.

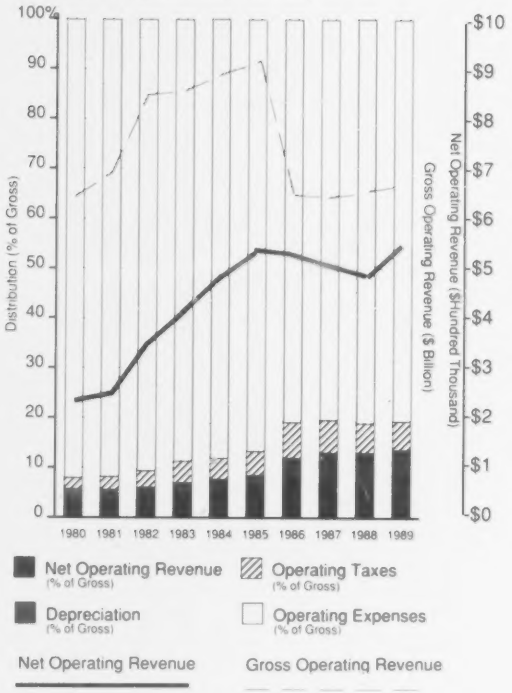
The current natural gas regulatory program was created by D.87-12-039, which became effective on May 1, 1988. Key features of this program include:

- Rates are based on recorded utility costs (embedded cost) and are revised annually.
- Noncore customers may elect to purchase gas from either their local distribution company or from other gas vendors. Regardless of their choice, the utility will transport the gas to the customer. Transportation rates are negotiated between the customer and the utility based upon an embedded cost ceiling.
- Core customers continue to receive both gas supply and transportation services from the local distribution company. Rates for these bundled services are set by the Commission.
- Utilities have developed two separate gas supply portfolios. The core portfolio consists of stable, long-term supplies to facilitate price stability. The non-core portfolio consists of short-term contract and spot market purchases; prices fluctuate according to market conditions.

GROWTH OF LARGE GAS UTILITIES
(PG&E, SDG&E, SoCal Gas, SW Gas)



DISTRIBUTION OF REVENUES AND EXPENSES LARGE GAS UTILITIES
(PG&E, SDG&E, SoCal Gas, SW Gas)


Distribution (% of Gross)
Gross Operating Revenue ($ Billion)
Net Operating Revenue ($Hundred Thousand)
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989
Net Operating Revenue (% of Gross)
Operating Taxes (% of Gross)
Depreciation (% of Gross)
Operating Expenses (% of Gross)
Net Operating Revenue
Gross Operating Revenue

Gas Procurement and System Reliability

The Commission's Orders Instituting Investigation and Rulemaking on natural gas procurement and system reliability issues (I.87-03-036, R.88-08-018) established guidelines for core and noncore procurement policies, brokerage fees, capacity allocation, use of interruptible transportation, and gas storage banking. After the final rules in OIR 90-02-008 are issued, the Commission will hold hearings on capacity allocation and capacity brokering proposals for the firm transportation rights that PG&E and SoCal Gas have on the interstate pipelines.

OIR 90-02-008 was issued in February of 1990. This rulemaking proceeding is intended to change the structure of the utilities' procurement practices for the noncore market and solicits proposals for balanced incentives to provide efficient procurement and transmission services to all customers. It is a companion to R.88-08-018 and D.90-01-021 (in I.86-06-005), which set a schedule for consideration of cost allocation and rate design issues in the transition from embedded cost to long run marginal cost based ratemaking. The order sets out proposed rules for gas procurement practices and outlines the proposed revised structure. Comments were filed by the participants, and the Commission expects to adopt final rules in late 1990.

Gas Storage Program

Following workshops to clarify issues, a pilot annual gas storage program for noncore customers began on April 1, 1989. Under this program, noncore customers bid with PG&E and SoCal Gas before April 1 of each year to secure storage capacity for their gas.

The program allows these customers to purchase gas throughout the year, then store it for use when prices rise or supplies are scarce. The range of bids and available storage capacity are analyzed by the utility to arrive at a single storage banking fee. The Commission sets storage targets for each utility. The purpose of the storage banking fee is to maximize revenues as well as to achieve the storage targets.

D.89-09-047 extended the pilot program for an additional year, because operation of the first year of the program did not meet expectations. CACD was directed to conduct a workshop on possible

modifications to the pilot program. The workshop was held in October of 1989.

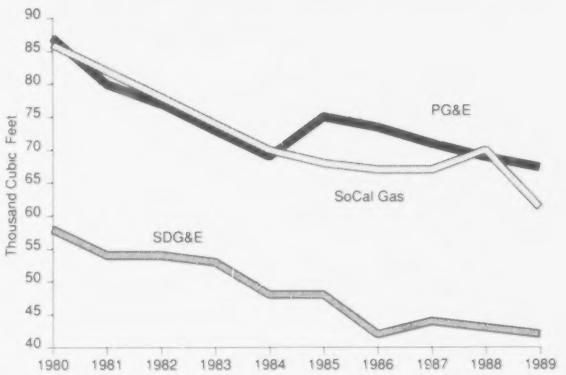
D.89-12-046, issued in December of 1989, modified the pilot program in accordance with some of the suggestions which resulted from the workshop. These changes are: permitting brokers and suppliers to bid for storage capacity on their own behalf; implementation of an "as available" service for storage capacity available above the firm contract amounts; directed SoCal Gas to set aside storage capacity in the spring 1990 injection period for UEGs to store their own gas for electric generation; authorized SoCal Gas to refund the 1989 storage fees which it had collected; and provided for pro-rata refund of reservation fees if the utility cannot provide at least 50 percent of the storage capacity which the customer contracted for.

Gas Gathering

The Commission issued OII 88-11-012 in November 1988, in order to investigate PG&E's cost of gathering California-produced gas and the amounts charged to gas producers for gathering and processing gas. At issue is the price of gas purchased by PG&E for its own system, as well as gas transported by PG&E but purchased by other parties. Hearings were held to examine both the cost of gathering gas and whether PG&E should perform gas gathering services. The price of PG&E's gas supplies which originate from outside of California already includes the cost of gathering and processing. The reason for determining the cost of PG&E's gathering and processing services to California producers is that these costs need to be known in order to accurately compare the price of California supplies with the price of out-of-state supplies. Since SB 1937 prohibits PG&E from adding a gas gathering surcharge to its transportation rates, the costs of PG&E's gas gathering and processing services are recovered through the rates charged to other customers.

The Commission issued D.89-12-016 in December 1989. This decision adopted a gas gathering cost for PG&E to use in comparing the cost of California gas to out-of-state gas. It also suggested that PG&E should not be in the business of gas gathering or processing. In order to encourage divestiture by PG&E, the decision authorized accelerated depreciation and cost recovery for gathering and processing facilities and suggested that PG&E should sell these facilities if it can receive net book value or more for the plant. Costs and expenses of any future additions to PG&E's gathering or processing plant will not be included in the revenue requirement upon which rates are based. Finally, PG&E was ordered to refund all gas gathering charges collected between February 8 and April 26, 1989. Gathering charges prior to that period were retained by the utility, as they were collected pursuant to a valid tariff on file before D.89-02-030 found that SB 1937 required PG&E to eliminate the gathering surcharge from its transportation tariffs.

RESIDENTIAL GAS SALES PER CUSTOMER, CLIMATICALLY ADJUSTED 12 MONTHS ENDED



Long-Term Contracts

SoCal Gas executed long-term service contracts with both San Diego Gas & Electric (SDG&E) and Southern California Edison (Edison), and applied for Commission approval of these contracts by filing Advice Letters. These Advice Letters were protested by various parties. The Commission suspended approval of the contracts and issued an Order Instituting Investigation and Suspension in May, 1989. Hearings were held in August of 1989.

D.89-12-045, which was issued in December 1989, rejected the contracts, but indicated that the contracts could be approved if they were amended and refiled. The decision set forth some general guidelines on the filing of long term contracts; the recommended changes to the SoCal Gas contracts were intended to bring them into compliance with the new guidelines. The guidelines include: no discounts from tariff rates; all pipeline and storage capacity allocations are subject to recall by the Commission on or after November 1, 1990; if supply curtailments occur, contract volumes will be curtailed before cogenerator volumes; and no waiver of the tariff provisions which prevent noncore customers from electing to purchase gas from the core supply portfolio when the core portfolio has a lower price than the noncore portfolio. The decision also stated that such contracts "are primarily useful where a customer must make a decision regarding whether or not to invest in bypass facilities and such facilities would clearly result in uneconomic bypass."

SoCal Gas subsequently filed an amended contract with SDG&E, as well as 18 other proposed long-term contracts. These contracts are currently under consideration by the Commission.

Marginal Cost Based Rates

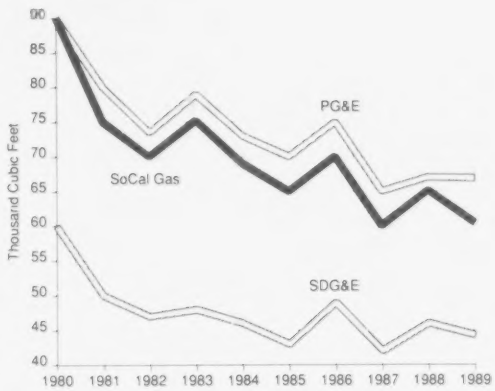
When the Commission restructured the gas industry in 1988, it contemplated marginal cost based rates, but found that there was insufficient information to construct rates based on marginal costs. It therefore implemented embedded cost ratemaking as an interim solution. To facilitate the transition from embedded cost to marginal cost ratemaking, the Commission formalized the method of cost allocation for the interim period (D.87-12-039) and ordered the major gas utilities to perform marginal cost studies (D.87-05-046). These orders were designed to continue moving the industry toward increased competition and cost-based pricing, while minimizing large, abrupt rate changes for customers.

The Commission is continuing to move from the embedded cost ratemaking methodology it instituted in May of 1988 toward marginal cost based rates. The major natural gas utilities have all submitted the marginal cost studies they were previously ordered to perform. In May of 1990, the Commission issued proposed guidelines for marginal cost studies, which it expects will be finalized by July of 1990. The Commission expects to hold hearings and issue a proposed decision on both natural gas marginal costs and cost allocation issues before the end of 1991.

The Commission believes that it now possesses sufficient information to move forward into marginal cost based ratemaking. Marginal cost studies will be based on a resource planning approach that is similar to the models used in the electric industry. Under this method, capital additions for multi-year periods are forecasted using different demand (consumption) scenarios. The cost of this forecasted additional capacity is then used to estimate the marginal cost of providing additional service to customers. Utility costs are functionalized and the marginal cost is then estimated for each function: commodity, customer access, distribution, transmission, and storage.

The Commission has indicated its desire to combine the estimation of marginal costs with any proposals for changes in cost allocation. Therefore, it has directed that the Annual Cost Allocation Proceedings litigated in 1990 should not include any substantive changes in cost allocation methodology. Any proposals for changes will be included in the ongoing marginal cost proceeding (I.86-06-005).

MAJOR GAS UTILITIES
RESIDENTIAL GAS SALES PER CUSTOMER, RECORDED



HAZARDOUS WASTE POLICY

In response to the rapid increase in environmental costs incurred by utilities, the CPUC has developed a specialized approach for dealing with certain types of hazardous waste costs which are difficult to accurately predict. Under this special procedure, a utility can file an advice letter seeking approval to set up a memorandum account to track cleanup expenses.

Before utilities undertake environmental compliance activities and receive approval to recover hazardous waste cleanup expenses and capital costs through rates, they must inform the Commission of the proposed activities and estimated costs. Then, after the expenses have been incurred, the utilities may file applications to have the CPUC evaluate whether the expenses were reasonable, and thus recoverable through rates, or not.

In the first reasonableness review filed for hazardous waste-related expenses and costs, PG&E and DRA have filed a stipulation agreement on PG&E's recovery of costs associated with two completed environmental compliance projects: one to reduce fish kills which were occurring as a result of operation of its Contra Costa and Pittsburg Power Plants; the other to reduce airborne particulate matter emissions from its Contra Costa Power Plant.

The Commission approved utility requests for memorandum account treatment of cleanup-related expenses at the following sites: a risk assessment study for SoCal Gas' Olympic Base Towne Gas site; removal of an underground vault at the SoCal Gas Tipton Street site in Visalia; cleanup costs to be incurred by Southern California Edison at the Venice Towne Gas site; and additional expenses associated with the investigation and remediation of Edison's

Visalia pole yard. These projects will be the subject of future reasonableness reviews after they are completed.

When they are not classified as environmental compliance projects, hazardous waste-related expenses and costs are recovered through general rate case proceedings. In the PG&E and SoCal Gas general rate cases, the Commission authorized recovery of expenses incurred for site investigations, surface impoundment, underground storage tank cleanup, transportation and disposal, and certain other hazardous waste and environmental expenses.

RATE CASES

GENERAL RATE CASES

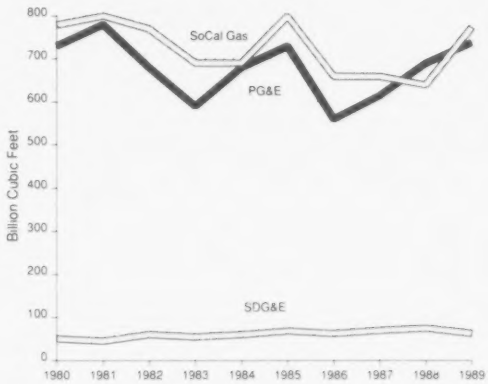
Pacific Gas and Electric Company (PG&E) Test Year 1990

On the basis of the rates in effect at the time of its December 1988 application, PG&E estimated that its new proposed rates would result in a general rate increase for Test Year 1990 of $365 million (6.7 percent) for electric rates and $125 million (5.1 percent) for gas rates. DRA evaluated PG&E's application and based on its analysis of operating revenues, expenses and rate base, DRA recommended an increase of $63.9 million for electric rates and $11.5 million for gas rates.

In March 1989, PG&E revised its request in response to DRA's testimony and to reflect higher rates that had gone into effect in January 1989 by requesting an electric rate increase of $195 million and a revised gas rate increase of $80 million. Evidentiary hearings were held in March 1989.

In December 1989, the Commission issued its final decision authorizing PG&E to increase its electric rates by $44.2 million and to increase its gas rates by $39 million. The adopted electric and gas revenue requirements represented an increase of 0.75 percent and 1.3 percent respectively, over the revenue at rates in effect in December 1989. The rate changes became effective January 1, 1990.

MAJOR GAS UTILITIES
GAS SALES OTHER THAN RESALE



Pacific Power and Lighting Company (PP&L) Test Year 1991

In January 1990, PP&L filed an application to decrease its rates by $1.6 million for Test Year 1991. DRA has evaluated PP&L's estimates of its operating expenses and capital expenditures and is expected to issue its recommendations in July 1990. The Commission is expected to issue a final decision in this general rate case proceeding in December 1990.

Sierra Pacific Power Company (SPP) Test Year 1990

In August 1989, SPP filed an application requesting authority to increase its base rate revenues for its California operations by $1.5 million (6.6 percent) over present-rate revenues for Test Year 1990. In February 1990, DRA recommended a rate reduction of $2 million - a decrease of 8.2 percent in present-rate revenues. After DRA issued this recommendation, SPP and DRA entered into a stipulation. If the Commission approves and adopts the proposed stipulation, SPP would decrease its present rates by $1.6 million - 7 percent less than present-rate revenues. The Commission is expected to issue a final decision in July 1990.

Southern California Gas Company (SoCal Gas) Test Year 1990

SoCal Gas filed an application in December 1988 requesting a $153.7 million (4.8 percent) increase in its rates for gas service for 1990. In January 1990, the Commission authorized SoCal Gas to increase its base revenues for 1990 by $121.4 million (3.6 percent).

REASONABLENESS REVIEWS - ACAPS AND ECACS

The Commission allows energy utilities to recover fuel and related costs through two types of offset proceedings - the ACAP (Annual Cost Allocation Proceeding) for gas utilities and the ECAC (Energy Cost Adjustment Clause) for electric utilities. The offset treatment of fuel costs shields the utility from fluctuations in those costs, some of which are beyond the utility's control. To assure that utilities maintain their incentives to operate their systems efficiently and minimize expenses over which they have some control, the Commission relies, in part, on reasonableness reviews to determine whether or not the utility's fuel purchases and operations were prudent. A utility is not allowed to recover from the ratepayers any expenses which are found to be imprudent.

ANNUAL COST ALLOCATION PROCEEDINGS (ACAP)

In May 1988, the Commission created the ACAP to replace the former semi-annual Gas Adjustment Clause (GAC), Supply Adjustment Mechanism (SAM) and related proceedings. The ACAP is the proceeding used by the Commission to set rates for all customers of gas utilities that are based on an estimate of likely revenues at cost-based rates, but with an adjustment to compensate the utilities for a reasonable amount of discounting they may do to keep large customers on their systems who might otherwise buy oil, propane, or other alternate fuels at prices lower than full utility-embedded-cost rates.

A utility's ACAP revenue requirement includes base revenue allowances adopted in the last general rate case (with subsequent attrition adjustments), revised estimates for the cost of purchased gas, balancing account amortization, and the cost of newly adopted programs (for example, the Low Income Ratepayer Assistance program).

The ACAP is used to update a utility's revenue requirement and expected gas deliveries for the upcoming period. Costs are allocated to customer groups based on the adopted levels of expected gas deliveries, and rates are revised to reflect such cost changes.

Forecasting gas deliveries requires a detailed evaluation of customer gas demand and system supply capabilities. Various forecasting techniques that account for population growth, economic conditions, resource changes, and alternative fuel prices are used to forecast gas demand. System supply capabilities are then matched with the demand forecast to determine gas deliveries and expected curtailments (gas demand which cannot be served). Forecast gas deliveries then form the basis for system cost allocation and revisions to customers' gas rates.

PG&E ACAP

This was PG&E's second ACAP under the new gas regulatory framework. The Commission issued D.90-04-021 in April of 1990 which authorized a rate increase of $61.5 million (3.6 percent) for core (residential and commercial) customers, and a rate decrease of $64.4 million (14.5 percent) in transportation rates for non-core (industrial) customers, based upon a total revenue requirement of $2.8 billion. The $47.8 million increase in revenues over last year was largely due to increases in purchased gas costs.

Among other things, the decision:

- adopted DRA's proposal for equitable sharing of take-or-pay costs consistent with FERC Order 500 and a Commission decision in the SoCal Gas ACAP (D.90-01-015) because it "provides PG&E with a reasonable opportunity to recover take-or-pay costs while striking a fair balance in allocating risks and costs between PG&E's ratepayers and shareholders."

- authorized the creation of two new rate schedules covering the sale of compressed natural gas as a vehicle fuel.

- directed CACD to hold workshops on the discount adjustment calculation in order to determine a uniform methodology to be used by all utilities.

SoCal Gas and SDG&E ACAPs

1989: SoCal Gas filed its application in April, 1989. SDG&E filed its application in May, 1989. SDG&E is one of SoCal Gas' largest customers, and many of SoCal Gas' costs are "flowed through" to SDG&E, so the two applications were consolidated into one proceeding. This was the first ACAP filing for both utilities under the new gas regulatory framework. Hearings were held in July and August, 1989.

D.90-01-015, issued in January of 1990, established new rates for both utilities. SoCal Gas was authorized to increase rates for core customers $79 million (3.4 percent), and to decrease transportation rates for noncore customers by 15 percent, based on a total revenue requirement of $3.2 billion. SDG&E was authorized to increase core rates $11.5 million (4.8 percent), and to decrease noncore transportation rates by 31 percent, based on a total revenue requirement of $429.2 million.

1990: SoCal Gas and SDG&E filed their applications in March, 1990 and the applications were once again consolidated into a single proceeding. Hearings were held in June of 1990, and a Commission decision is expected in October 1990.

SoCal Gas requested a rate increase of 8 percent for core customers, and decreases of 6 percent for retail noncore and 9 percent for wholesale customers. DRA has recommended a 4 percent increase for core customers, and decreases of 9 percent for noncore and 16 percent for wholesale customers. The increase in core rates is due to higher projected purchased gas costs. Noncore rates are for transportation only, and do not include the cost of purchased gas.

SDG&E requested rate decreases of 5 percent for core customers and .8 percent for noncore customers. DRA has recommended an 11 percent decrease for core customers and a 2 percent decrease for noncore customers.

Edison Recovery of Costs of Added Plant

In its decision on Southern California Edison's 1988 general rate case, the Commission adopted a procedure that provides for modification of the existing Major Additions Adjustment Clause (MAAC) to include the investment-related revenue requirement and the recorded revenues related to specific uncompleted plant additions estimated to cost more than $50 million. This procedure allowed Edison to recover 75 percent of the cost of the facility, not to be effective until the project was operational, and would be subject to refund pending a reasonableness review.

Edison's investment in the High Voltage Direct Current (HVDC) Expansion Project was one of the specified projects subject to this procedure. The HVDC Expansion Project was a major augmentation of the existing Pacific DC Intertie transmission line which connects Southern California with the Pacific Northwest. Pursuant to the procedures adopted in the 1988 general rate case, in October 1989, Edison filed an application requesting the Commission to find its $72.6 million investment in the project reasonable and to transfer recovery of the project's investment-related costs to base rates.

Following its investigation and analyses of this application, in June 1990, DRA recommended a $1.2 million disallowance of the project costs. Hearings are pending and a Commission decision is expected before the end of 1990.

Edison 1991 Modified Operational Attrition

In March 1990, Edison filed an application requesting a base rate revenue increase of $234.8 million (6 percent) for attrition year 1991. By Edison's estimates, additional revenues due to sales growth in 1991 will be $153.7 million. The remaining $81 million that is not offset by additional sales would result in an average base rate increase to customers of 2 percent. DRA reviewed and analyzed Edison's request and is expected to issue its report in July, 1990. A final Commission decision is expected before the end of 1990.

ENERGY COST ADJUSTMENT PROCEEDINGS (ECAC)

An electric utility uses the ECAC proceeding to request an adjustment of its rates to offset changes in the cost of fuel used to produce electricity.

1989 PG&E ECAC

In April 1989, PG&E requested an electric rate increase of $378 million. During July 1989, the Commission heard testimony on PG&E's request, and in December approved a rate increase of $272 million.

In its April 1989 ECAC application, PG&E also requested a review of the reasonableness of its operations during the prior year. DRA took issue with the special contract rates which PG&E had offered to certain industrial customers to prevent bypass. Following its investigation, DRA recommended a disallowance of $2.8 million. The Commission received testimony on this issue during November and December of 1989 and a decision is pending.

1990 PG&E ECAC

In April 1990, PG&E requested an electric revenue requirement increase of $470.9 million. The DRA investigated PG&E's request and initially recommended an increase of $482.7 million. Hearings are scheduled in this matter for July 1990.

In its April 1990 ECAC application, PG&E also requested a review of the reasonableness of its operations during the prior year. The DRA is currently investigating PG&E's operations during that period.

The reasonableness of taking the Geysers Unit 15 geothermal generation facility out of service as a result of a shortage of steam is being investigated under I.90-02-043.

1989 Sierra Pacific Power Company (SPP) ECAC

In August 1989, SPP requested an electric rate decrease of $856,000. DRA investigated SPP's request and initially recommended a decrease of $1,777,000. Hearings were heid in February 1990. During that period, however, the parties met and agreed to stipulate on the majority of the issues with an agreement that a reasonable decrease would be

$1,603,000. The only issue which resulted in considerable testimony was that dealing with SPP's reporting on its gas/oil Thermal Performance Standard. DRA has expressed its concerns about the validity of the reported results, which are a major measure of utility efficiency. A Commission decision is pending on all these matters.

1989 Southern California Edison Company ECAC

On January 14, 1990, the Commission issued D.90-01-048 which decreased Southern California Edison Company's (Edison) total revenue requirement by $50.4 million. Normally, rate design is done in a general rate case, but in response to legislative mandate, it was partially addressed in this ECAC to move rates closer to full Equal Percent Marginal Cost (EPMC) - this was accomplished by allocating rates on a 2/3 EPMC and a 1/3 System Average Percent Cost (SAPC) basis. All classes of Edison ratepayers are now paying their full EPMC.

The Annual Energy Rate (AER) which had been suspended as a transition to the new schedule promulgated by D.89-01-040 in OIR 87-11-012 was reinstated at this time.

1989 San Diego Gas & Electric Company (SDG&E) ECAC

The Commission issued D.90-05-090 in May 1990 authorizing a $22.6 million increase in SDG&E's total revenue requirement, and adopted a rate design, in response to SB 987, to bring baseline and non-baseline rates closer. Normally, rate design is done in a general rate case, but in response to the legislative mandate, it was partially addressed in this ECAC. All classes of SDG&E ratepayers are now paying their full EPMC.

A reasonableness review of the SDG&E's operations was completed and a decision is expected to be issued in 1990.

Edison's Contracts with QFs

As part of Edison's 1989-90 ECAC, the CPUC investigated the reasonableness of its nonstandard power purchases contracts with over 50 cogenerators and small power producers known as "qualifying facilities" or QFs. During the 1989 record period, Edison's power purchase contract payments, to a total of 270 QFs, totaled over $1.4 billion. Twelve of the 270 QFs are Edison affiliates, and they received over $550 million in payments during the record period.

DRA recommended that the Commission deny Edison recovery of $120 million of its payments under those contracts during the 1985, 1986, and 1987 record periods, $48 million of which were payments to the Kern River Cogeneration Company (Kern River) - a QF which is part-owned by Mission Energy Company, a unit of Edison's holding company which is not regulated by the CPUC. A Commission ruling on the Kern River payments and the remaining nonstandard power purchase contracts reviewed in the 1985-87 record periods is expected in 1990. The Commission's decision will have an effect on the future payments over the life terms of these contracts, which amount to billions of dollars.

Hearings on other non-standard QF contracts were delayed. It is expected that action will be taken on this review in 1990-91.

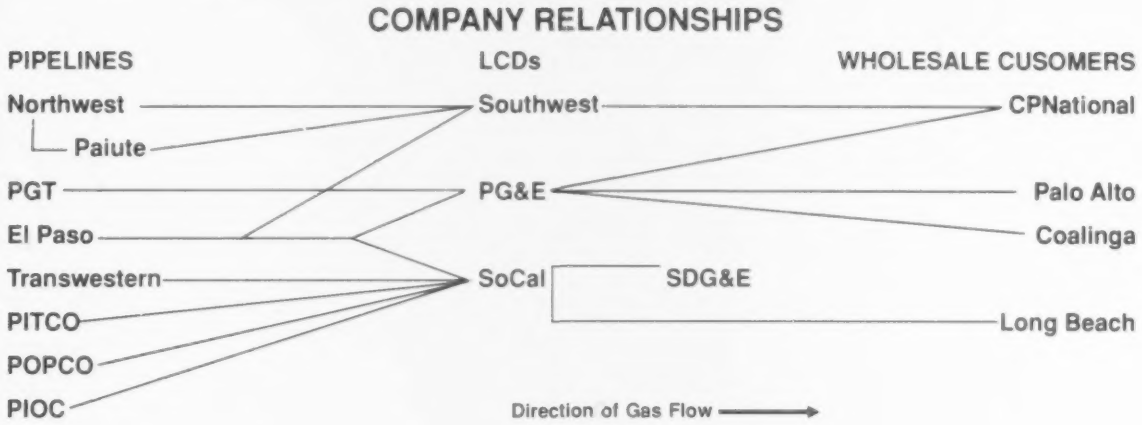
Resolution of Tax Issues

The Commission issued D.89-11-058 in November of 1989 to resolve a matter stemming from the Tax Reform Act of 1986. The issue was raised by PG&E and involved the ratemaking procedure applicable to the timing of the federal income tax deduction for the California Corporate Franchise Tax. The Commission's resolution of the matter saved ratepayers millions of dollars in tax expenses included in rates.

Post-retirement Benefits Other Than Pensions

The CPUC initiated a proceeding to evaluate whether or not the recent Financial Accounting Standards Board Exposure Draft on post-retirement benefits other than pensions is appropriate for ratemaking treatment. This is the "sister" standard to the Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions, and is expected to be issued in December 1990 and to become effective beginning in 1993.

If adopted, the annual revenue requirement impact will range from zero for some utilities (that do not pay for retiree benefits) to hundreds of millions of dollars for others. The main issues are: 1) should retiree benefits be recognized when they are earned by employees rather than when paid and, 2) if so, what is the most fair and efficient tax deductible vehicle for prefunding these benefits. The CPUC is expected to rule on the inclusion of prefunding in revenue requirements before December 1990 and to rule on the appropriateness of the Financial Accounting Standard by mid-1991.



GAS PIPELINE OII

The Commission issued I.88-12-027 in December 1988, to facilitate development of proposals to create new natural gas pipeline capacity into California. The Commission set forth the goals of a new pipeline capacity policy and criteria for approval of new pipeline capacity. These criteria covered the areas of economic consideration, supply diversity, capacity allocation, potential bypass, and CPUC jurisdiction.

The Commission issued interim decision D.89-02-071 in February of 1989. This decision described the status of the investigation and listed five pipeline projects which met the OII criteria. It also found that an improved level of service to noncore customers is needed, and stated that new pipeline capacity, as well as more efficient utilization of existing capacity, would improve service. Local distribution companies, gas producers, pipeline companies, and end users were asked to work together to present to the Commission proposals on how to improve service and increase capacity.

The final decision in this proceeding, D.90-02-016, was issued in February of 1990. It restated the findings of the interim decision, and noted flaws in the proposals which had been submitted. The decision reaffirmed the need for additional pipeline capacity and found that it is the long-term policy of the State of California to support interstate pipeline projects which conform to the conditions and criteria set forth by the Commission, and to oppose projects which do not meet those conditions.

PGT/PG&E Gas Pipeline

Pacific Gas & Electric Company filed A.89-04-033 with the CPUC in April 1989, to build the California portion of an 845 mile gas transmission pipeline. The pipeline would start at the Canadian-U.S. border in Idaho and continue through Washington, Oregon and California to a PG&E station near Fresno. In September 1989, a public scoping meeting was held in Antioch, California to give the public an opportunity to express its concerns regarding the environmental aspects of the PGT-PG&E pipeline. Comments received at this meeting were used to help define the range of issues to be covered in the Draft EIR.

In June 1990, the Draft EIR was released for public review. Interested agencies, organizations, and members of the public were encouraged to comment on the Draft EIR, and were given 45 days in which to do so. Each comment will be responded to in the Final EIR, scheduled to be issued in November 1990. The analysis and conclusions presented in the Draft EIR may be modified as a result of comments received.

FEDERAL PROCEEDINGS

New Interstate Pipeline Projects

The CPUC intervened in a number of federal proceedings involving interstate pipeline capacity to California in order to promote the construction of new interstate pipeline capacity that meets the needs of the growing California gas market and the conditions and criteria established by the Commission in its gas pipeline OII, I.88-12-027.

The conditions outlined by the CPUC were designed to foster increased competition in the natural gas industry, mitigate potential adverse economic effects of by-passing existing local public utility distribution systems, and fairly allocate the incremental cost of constructing new facilities.

Proceedings in which the CPUC intervened included those initiated by Kern River Gas Transmission Company (Kern River), Mojave Pipeline Company (Mojave), and Wyoming-California Pipeline Company (WyCal) to obtain FERC approval to construct new interstate pipelines, and by Pacific Gas Transmission Company (PGT), and El Paso Natural Gas Company (El Paso) to substantially increase the capacity of their existing interstate pipelines to California. As a result of CPUC intervention in these proceedings, satisfactory settlements and agreements were reached with WyCal and PGT, and agreements in principle were reached with Kern River and Mojave.

General Rate Cases at FERC

The CPUC is also participating in a number of other proceedings before the Federal Energy Regulatory Commission (FERC). In the gas area, the Commission has intervened and protested in the El Paso Natural Gas Company's, Transwestern Pipeline Company's, and Pacific Gas Transmission Company's general rate cases. These companies seek to increase their rates and to pass through certain costs to California utilities which purchase gas and/or transportation service from them.

El Paso Natural Gas General Rate Case

El Paso filed with FERC its general rate case application requesting a rate increase of $385 million. The CPUC has protested this increase. Hearings were held in October of 1989. The CPUC continues to be an active participant in settlement conferences in this and other El Paso proceedings.

The CPUC has intervened and protested numerous other El Paso filings before FERC, including: three applications concerning El Paso's recovery of over $1.3 billion in take-or-pay costs; its purchased gas adjustment filings; proposed gas inventory charge filings; and El Paso's proposal to direct bill its customers for over $300 million in Account 191 costs (as noted below, the CPUC successfully defeated a similar proposal by Transwestern). FERC decisions of all of these matters are pending.

Transwestern Pipeline Company General Rate Case

A settlement in Transwestern's general rate case was negotiated this year and filed with FERC. Approval has not yet been granted. This settlement contains a capacity brokering proposal which would allow SoCal Gas to broker any or all of its firm transportation rights on the Transwestern system. If FERC approves this setttlement, Transwestern would become the first interstate pipeline serving California to offer capacity brokering. PGT has filed for approval of a similar capacity brokering program and this application is also pending before FERC.

The CPUC also intervened and protested Transwestern's purchased gas adjustment filings. Hearings were held and the FERC's Administrative Law Judge ordered Transwestern to refund approximately $15 million to its customers, with most of the money going to California utilities. Transwestern has an appeal of this decision pending before FERC.

Transwestern has billed approximately $210 million in take-or-pay costs to customers on its system. This figure represents settlements with gas producers averaging 20 cents per dollar of claims, and resolves most of the take-or-pay issues for Transwestern. Transwestern has also filed for recovery of some additional take-or-pay costs, which the CPUC has protested. The case is pending before FERC.

At the United States Court of Appeals, District of Columbia Circuit, the CPUC and Kansas Power & Light prevailed in a case involving Transwestern's Gas Inventory Charge (GIC). The Court invalidated the direct billing, through the GIC, of Transwestern's Account No. 191 amounts, stating that such a practice amounted to retroactive ratemaking prior to notice being given. At stake is $15-30 million in costs. Transwestern and FERC have appealed the ruling.

Pacific Gas Transmission Company General Rate Case

PGT filed its general rate case application with FERC in April, 1987. FERC issued a final decision on this case in April of 1990. The decision adopted a modified settlement which provided PGT with $6 million less than its requested annual cost of service. PGT was also ordered to refund $7 million to PG&E for eventual distribution to PG&E ratepayers. The CPUC was an active participant in this proceeding and supported the adopted settlement. After the decision adopting the settlement was issued, PGT filed a new general rate case on April 30, 1990 which requested a rate increase of $23.5 million. The CPUC has intervened in this proceeding and protested the requested increase.

RATES OF RETURN SET FOR 1990

The CPUC authorizes rates of return for utilities based on its review of a utility's cost of capital. As part of the review, analyses are performed to determine appropriate capital structures and cost estimates for the separate components of debt, preferred stock and common equity. The Commission's authorized rates of return for this fiscal period are as follows:

ENERGY UTILITIES

D.89-01-040 adopted a procedure requiring energy utilities to file an annual cost of capital application.

	Return on Rate Base (%)	Return on Common Equity (%)
Southern California Gas	10.75	13.00
Pacific Gas and Electric	10.96	12.90
Southern California Edison	10.70	12.85
San Diego Gas & Electric	10.86	12.90
Southwest Gas	11.63	13.05
Sierra Pacific Power	10.34	13.00

TELEPHONE UTILITIES

D.89-10-031 established a market-based rate of return for Pacific Bell and GTE-California which includes provisions for sharing earnings between ratepayers and shareholders at various levels above or below the market-based return.

	Return on Rate Base (%)	Return on Common Equity (%)
Pacific Bell	11.50	N/A
GTE-California, Inc.	11.50	N/A
Contel	10.75	N/A
Citizens	10.75	N/A
Roseville	10.75	N/A

WATER UTILITIES

Cal-Am Water Company, Cal-Water Service and SoCal Water Company each have many districts; each of these water utilities files for annual rate of return adjustments for specific districts over a three-year cycle. The other companies file triennial rate of return applications.

	Return on Rate Base (%)	Return on Common Equity (%)
Cal-Am Water	10.82	12.25
San Gabriel Valley Water	10.97	11.90
San Jose Water	10.48	11.75
Citizens Utils-Water Operations	10.29	11.75
Del Este Water	11.41	11.90
SoCal Water	10.92	12.00
Apple Valley Ranchos Water	11.71	11.90
Cal-Water Service	11.25	12.25
Cal-Am Water	10.70	12.00

SAFETY

The CPUC's Safety Division oversees energy, railroad and rail transit system safety for the protection of these utilities' customers and employees.

Through its licensing authority, the CPUC's Transportation Division in cooperation with the Department of Motor Vehicles and the California Highway Patrol oversees safety for the truck and passenger carrier industries in California.

UTILITIES SAFETY

Seismic Safety Measures

CPUC Utilities Safety staff investigated the gas and electric systems' outages which took place right after the October 1989 Loma Prieta Earthquake in the Bay Area. The staff determined that three items required corrective measures.

The first one involved information provided to the public by the news media. Apparently some news media advised the public to shut off gas valves as a precaution, and this caused unnecessary outages to more than 135,000 customers. Many of these customers were in no danger, but because they had shut off their gas valves, they were without gas for several days until qualified persons could safely restore their service. To prevent this from happening in future similar emergencies, the utilities have agreed to implement special coordinating measures to assure that the media gives correct information to the public during emergencies.

The second and third items involve the safety of cast iron and old steel gas pipes in areas subject to soil liquifaction during quakes, and the resistivity of electric transmission switchgear to earth movement during a quake. The utilities are in the process of responding to CPUC data requests on these items. CPUC staff will consolidate all the responses into a report which will address the subject of Utilities' Seismic Safety. This report will be submitted to the California Seismic Safety Commission in early 1991.

Metallic Balloons

Metallic balloons pose problems to electric utilities. The mylar-aluminum balloons are about 18" in diameter and often are attached to metallic strings. In a number of instances, these balloons were released and tangled with overhead electric lines causing the lines to short-circuit. These incidents disrupted electric service, damaged equipment, and endangered public safety.

Legislation enacted in September 1988 directed the CPUC to investigate the problems associated with metallic balloons. In January 1990, the CPUC submitted its report to the legislature and suggested three ways to mitigate the problems. One legislator has proposed a bill which would require metallic balloons to be attached with counter weights and forbid the use of metallic string or ribbon. This bill is pending.

Replacement of Leak-prone Pipes

Recognizing the need to replace pre-1931 gas mains with unusual high leak concentration caused by aging, corrosion, bad welds, poor design, or construction defects, in 1985, PG&E established a gas pipeline replacement program. The goal of this program is to reduce the number of leaks per mile from 2.5 to 0.6 over a 20-year period at a cost of $2 billion. PG&E has replaced 470 miles of mains and associated facilities at a cost of $346 million in the last 5 years (1985-89) and is planning to spend $82 million in 1990 and $86 million in 1991 on this program.

CPUC staff has been monitoring the SoCal Gas Special Pipeline Replacement Program, which identifies and systematically schedules certain categories of pipe, such as copper, cast-iron, and pre-World War II pipe with acetylene welds, for replacement. This program is designed to continually upgrade older, deteriorating pipelines that are substandard in comparison with modern state-of-the-art materials, in order to eliminate potential safety problems. SoCal Gas spent $15 million per year in both 1988 and 1989 on the Special Pipeline Replacement Program, and will spend an average of $30 million per year in 1990, 1991, and 1992, on this program, in addition to expenditures for repair and routine replacement of pipelines.

Underground Electric Vault Accidents

During the past few years, a number of explosions and failures of electric switches housed in underground vaults have occurred in Southern California causing death, injuries, and property damage. Utilities Safety staff made an investigation to determine the cause of the incidents and inspected numerous underground vaults in Los Angeles, San Diego, Fresno and the San Francisco Bay Area. The staff determined that certain lapses in maintenance contributed to these incidents. The utilities have stipulated to the staff's findings and General Order 128 is being revised in an attempt to prevent future similar problems. The revision is expected to be completed by July 1990.

RAILROAD SAFETY

New Rail Commuter Corridors

Five complete surveys of grade crossings along commuter rail lines were completed during the year. Staff inspected the safety of crossings along the entire LOSSAN/ATSF line between Los Angeles and San Diego. LOSSAN is a new agency designed to promote rail service between Los Angeles and San Diego, potentially among the most useful rail corridors in the country. CPUC staff made recommendations to improve many of these crossings by including them in the federal Section 130 crossings funding program. This will enhance the safety and service quality of both AMTRAK and local commuter train operations along this important rail corridor. The first of the new commuter services began in April 1990 between San Juan Capistrano and Los Angeles.

The second survey of crossings made this year was along the route of the Southern Pacific CALTRAIN between San Jose and San Francisco, the busiest commuter corridor in the state. Several significant safety projects are being pursued for this line, taking advantage of local and federal funding sources. Also, the CPUC approved a new vehicular bridge over the peninsula line in South San Francisco.

High Speed Rail Corridor Between L.A./Long Beach Ports

The Joint Powers Authority (JPA) of the Consolidated Transportation Corridor is attempting to create a single high speed rail link between the ports of Los Angeles and Long Beach, and the downtown Los Angeles railroad yards of the three major railroads serving the ports. The ports are now served by three separate low speed railroad lines, operated by Southern Pacific, Union Pacific, and Santa Fe. The JPA would like to consolidate the three separate railroad lines onto the Southern Pacific San Pedro Branch line. The consolidation would allow the JPA to invest in the "Alameda Corridor" to improve the existing Southern Pacific San Pedro Branch by constructing grade separations, converting the existing single track to double track, closing unnecessary crossings, and widening Alameda Street from the ports to downtown Los Angeles. These projects would facilitate the movement of cargo from the ports to Southern California markets and beyond.

The ports of Los Angeles and Long Beach are the busiest ports in the United States. The improvements to the Alameda corridor, coupled with port expansion and new on-dock railyards, will allow the ports to continue their rapid growth which will substantially add to the Southern California economy. CPUC Rail Safety staff have monitored the progress of the Alameda Corridor, and will continue to provide assistance to the JPA and their consultants. Of critical importance to the success of the JPA's plans is the improvement and, where feasible, elimination of at-grade street crossings of the rail line, and CPUC staff has a key role in working with the JPA in this vital aspect of the overall project.

Loma Prieta Earthquake's Impact on Rail Lines

Immediately following the Loma Prieta Earthquake, CPUC staff found that most rail properties were intact and operable. Hardest hit was SPTCo's Coast line in the Watsonville area. The line was out of service for a week and required major repairs. Also hard hit were branch lines leading to the Monterey Peninsula and the Santa Cruz area. Service was disrupted on these lines for the better part of a month.

CPUC staff monitored the Southern Pacific Peninsula Commute service around-the-clock to ensure the integrity and safe operation of this service, and made emergency earthquake safety inspections of all railroad bridges in the nine county earthquake zone.

Earthquake Safety Inspections of Railroad/Highway Structures

The CPUC authorizes the construction of and improvements to railroad crossings and grade separations and has jurisdiction over railroad safety. After the Loma Prieta Earthquake, damage to railroad and highway-railroad structures was unknown so CPUC staff immediately developed an inspection plan to determine the extent of the damage.

CPUC staff made inspections of over 200 grade separation structures from Martinez and Santa Rosa in the north to Salinas in the south. Staff found structural damage at 33 sites and reported it to local agencies and the railroads. Three areas were most affected: northern Alameda/Contra Costa County Area (Oakland/Berkeley), San Francisco/northern San Mateo County Area and the Santa Clara Valley.

The greatest number of possible problems with grade separations appeared to be in Santa Clara County where 14 of the 33 structural damage incidents occurred.

The damage ranged from serious support column shifting and roadbed dislocations to superficial cracks. Most of the railroad/highway structures in the three major affected areas occurred where the structures were built on fill dirt, Bayside, or bay mud areas.

SAFETY IMPROVEMENTS

Through safety inspections and nomination of selected crossings for federal funding assistance (Section 130 crossings safety improvement program), CPUC staff are improving the safety of many existing railroad crossings. There are over 700 safety improvement crossings projects underway in all parts of the state. The emphasis is on corridor-type projects, where crossings along several miles of selected trackage are analyzed. Older types of train detection equipment are being updated, new gate-type warning devices are being installed and, at selected locations, crossing surfacing is being improved.

Railroad Highway Grade Separation Priority List

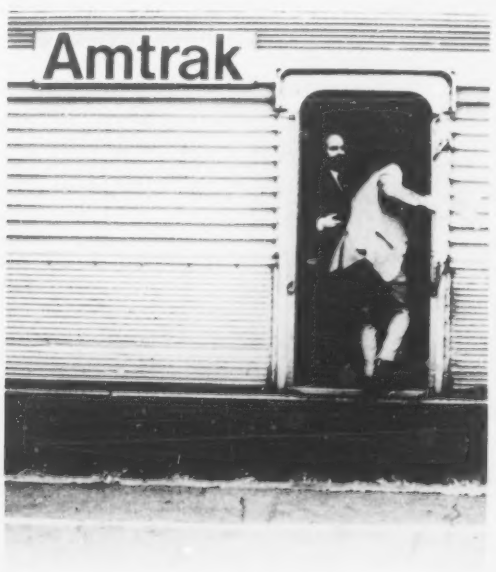
Section 2452 of the Streets and Highways Code requires the CPUC to establish, prior to July 1 of each year, a priority list of railroad/highway crossing projects most urgently in need of separation, by constructing under- or overpasses, or alteration of existing structures. The Department of Transportation (CALTRANS) uses this list to allocate a $15 million fund provided by the legislature to assist local governments in financing grade separation projects.

The CPUC is responsible for establishing criteria used in a formula to prioritize projects. The formula weighs vehicular and train volumes at crossings along with project costs, and considers a variety of special condition factors such as accident history and blocking delay.

In 1989, the Commission conducted an investigation into the prioritization formula. Staff recommended a new formula which gave greater weight to accident history and blocking delay. Five days of hearings were held in San Francisco and Los Angeles during February 1990. After the filing of briefs, by D.90-06-058, the Commission adopted the priority list based on the criteria proposed by staff, with modifications.

California Operation Lifesaver Special Train

On March 27, 1990, the Northern California region of Operation Lifesaver, chaired by CPUC staff, arranged for a special train to travel from the Oakland Amtrack station to the Sacramento Amtrack station making stops along the route to promote safety awareness at railroad-highway grade crossings.



CPUC Senior Transportation Engineer Ray Yick coordinated Northern California Operation Lifesaver efforts. Just before the Operation Lifesaver Special Train began to pull out of the Oakland Train Station, CPUC Senior Transportation Engineer Ernie Von Ibsch helped a passenger aboard.

Invitations to ride the train, attend the brief ceremonies at each stop, and attend the Operation Lifesaver presentation at the California Railroad Museum were extended to civic and industrial leaders, Operation Lifesaver volunteers, state and local safety personnel and other interested parties. This event was jointly sponsored by the major railroads including Amtrak, Southern Pacific, Union Pacific and Santa Fe Railroads.

The CPUC, together with federal, local, other state agencies, railroads, auto clubs, school districts and safety professionals has worked on the Operation Lifesaver program since 1976 to increase public awareness of grade crossing hazards at railroad-highway grade crossings in California.

Napa Valley Wine Train Crossings Safety

Limited passenger service on the Napa Valley Wine Train began in September 1989. CPUC staff have been working with local cities, the county, and the Wine Train to assure safety at public crossings along the train's route. As a result of the CPUC safety survey of the entire line, 20 crossings are being improved to increase their visibility for approaching motorists.

Rough Crossing Surface

The CPUC made a legislatively-mandated (Senate Concurrant Resolution No. 66) study of crossings surface maintenance issues. This study addressed concerns that some railroad crossings are "rough", causing motorists inconvenience and, in some cases, posing safety hazards. Pursuant to CPUC order, it is the railroads' responsibility to maintain the crossing surfaces within two feet either side of the rails. The local road agency is responsible for maintaining the approachs. CPUC staff will follow up with the railroads and local agencies to assure that needed repairs are made.

Automatic Grade Crossing Protection Maintenance Fund

The Automatic Grade Crossing Protection Maintenance Fund was established by the Legislature in 1965 to pay to the railroad corporations the cities' and counties' share of the cost of maintaining automatic grade crossing protection devices installed after October 1, 1965. This function is set forth in Public Utilities Code Section 1231.1.

The $1 million fund is budgeted annually by the California Transportation Commission (CTC) for allocation to the Commission to pay the local share of the cost of maintaining automatic grade crossing protection devices. The Railroads must submit all maintenance bills to the staff for verification and computation. After verification and computation, staff arrives at the apportionment based on the available $1 million and this apportionment and the maintenance bills are submitted to CALTRANS for payment to the various railroads.

The maintenance bills submitted by the railroads for the 1989-90 fiscal year already exceed the budgeted $1 million fund by $2,659,437. This reflects the cost of maintenance for 3,130 railroad grade crossings.

San Bernardino Derailment Investigation Continues

CPUC staff assisted the National Transportation Safety Board investigation of the Southern Pacific Transportation Company (SPTCo) derailment of May 12, 1989. The NTSB report on the accident will be released soon. Staff did on-site investigation, shared information with other investigatory agencies, and participated in NTSB hearings in the City of San Bernardino during August of 1989. CPUC staff have developed recommendations for: loading practices by shippers, proper bills of lading, inspecting mechanical operability of dynamic braking systems, investigating the validity of billing procedures related to weights and commodities being carried, and improving communication practices between train dispatchers and employees on the trains.

Railroads in Redwood Empire Region

Since the end of SPTCo's subsidiary, the Northwestern Pacific Railroad's operation between Willits and Eureka, CPUC staff have worked closely with many agencies to maintain rail service to that region of California. CPUC staff testified about the importance of the line in a 1983 Interstate Commerce Commission's abandonment proceeding. This led to the formation of a new regional railroad in California The Eureka Southern Railroad. The Eureka Southern began service in 1984 but has since lapsed into bankruptcy. Freight traffic levels on the carrier have remained good and excursion passenger service that operated two seasons in a row also proved profitable. Track maintenance, however, has become a concern to continued viable operation of the carrier.

While staff addresses the Eureka Southern operation, another portion of the Northwestern Pacific Railroad has just been sold by its parent, the SPTCo. The Golden Gate Bridge and Highway District has concluded negotiations to buy trackage from San Rafael to the Ignacio area. Additionally, the Bridge/Highway District has options to buy more of the line in installments, these installments include Ignacio to Healdsburg and Healdsburg to Willits.

The Bridge/Highway District is purchasing the NWP right of way for future use as a transit corridor; light and heavy rail options are being considered. The

Bridge/Highway District has expressed an interest in procuring a railroad operator to again resume service on the San Rafael/Ignacio trackage.

Heavy Rail Transit in Orange County

Heavy rail transit services will soon be instituted all over California to relieve highway traffic congestion problems. For instance, recently Orange County Transportation District trains started operating from San Juan Capistrano - Los Angeles. This new service is being provided on a major Amtrak corridor that is already used daily by passenger trains traveling between Los Angeles and San Diego. Trackage in the corridor is owned by the Atchison Topeka and Santa Fe Railway Company that provides freight service.

SCRTD Metro Rail

The Southern California Rapid-Transit District's (SCRTD) Metro Rail heavy rail transit project, the Red Line, will operate entirely in a subway now being built through downtown Los Angeles. The track will run from the Union Station to Wilshire Alvarado. Service on this segment is scheduled to begin in September 1992. Later subway extensions are planned to take the line out to Hollywood and the San Fernando Valley.

During 1989-90 the Rail Transit Safety Branch staff performed inspections of construction activities covering the tunnels, yard and shops, Union Station, Civic Center Station and Wilshire Alvarado Station. These inspections will continue until construction is completed in 1993.

Railroad Environmental Concerns

Informal complaints from the public and rail unions have prompted staff to explore railroad environmental concerns. Staff is currently surveying railroad fueling locations for oil spills and focusing on the Roseville and Salinas areas in Northern California.

Hazardous Materials Transportation By Rail

The CPUC instituted a rulemaking proceeding to consider the adoption of a General Order to regulate the transportation of hazardous materials by rail. The proposed General Order prescribes rules for the notification of accidents and storage of hazardous materials, emergency contingency plans and industrial spur track safety requirements. The railroads have filed objections to the General Order, arguing that the proposed rules are overly burdensome and are preempted by federal regulations. In June 1990, Safety Division staff filed its response to the objections raised by the railroads and proposed a revised General Order for the Commission's consideration.

Problems With Rail Passenger Cars

As an outgrowth of the Stockton Amtrak train/truck collision, CPUC staff are reviewing safety concerns associated with operating passenger trains with a cab car in the lead instead of a locomotive. There is concern with trains operating in the push/pull mode with a cab car at the headend of a train. This review is ongoing and CPUC staff have made California's concerns on this issue known to the National Safety Board.

Staff is also reviewing problems (safety) reported on new Amtrak cars (Horizon Series Cars) operating in the Oakland - Bakersfield Corridor. The manufacturer of the cars has promised to address such problems while the new cars are still under warranty. Amtrak personnel have also been contacted on this matter.

Blythe Produce Shippers Lose Santa Fe Piggyback Ramp

CPUC Railroad Operations and Safety Section and the Traffic Engineering Section staff rushed to provide assistance to Blythe produce shippers, paralyzed by Santa Fe's abrupt cancellation of intermodal service in August 1989, affecting Palo Verde and Imperial Valley produce shippers. The Commission held public hearings in Blythe to confront the issues and a decision is pending.

Subsequently, AB 2550 (Clute) was passed which requires the railroads to give a specified period of notice before closing intermodal ramps in California.

Investigation to Determine Employee Safety Standards

During the course of a recent safety compliance case, it became apparent to the Commission that an important part of General Order 118 was ambiguous. General Order 118 sets standards for railroad employee walkways along railroad tracks. Such walkways are critical for the safety and efficiency of railroad employees who must frequently get on and off of moving railroad equipment or walk alongside such equipment to perform their duties.

An investigation was instituted to interpret Paragraph 6 of the General Order which requires railroads to have a "program of improvement" for walkways which were constructed prior to the adoption of the General Order in 1963. A series of workshops was conducted during which participants arrived at a consensus interpretation, prioritized improvements needed, and reached agreement on informal procedures to facilitate approval of deviations to the General Order. The agreement will be subject to review for a period of 18 months. Workshops will be reconvened, if necessary, to review any new information that the trial period experience has

provided. CPUC staff has recommended that the Commission adopt the agreement and a decision is pending.

RAIL TRANSIT SAFETY

Los Angeles Light Rail Transit System

The Los Angeles County Transportation Commission (LACTC) is currently designing and constructing two rail transit systems subject to safety oversight by the CPUC. The first of these is the 21.2 mile long Los Angeles to Long Beach Blue Line project which is scheduled to begin service by July of 1990. This is a conventional light rail system that will operate both in street running and over semi-exclusive right-of-way. The second system, still in design, is the 20-mile long Norwalk to El Segundo Green Line project scheduled to begin service in 1994. This is planned to be a fully automatic driverless system operating off of an overhead catenary power supply.

During 1989-90, Rail Transit Safety staff completed implementation of their safety oversight program plan for design, construction, start up testing and pre-revenue service operation of the first segment of the Blue Line project. As required by the plan, staff personnel performed extensive document reviews, sample inspections, witness points and records checks to augment the safety certification activities performed by the LACTC staff. During 1990-91, staff will continue their safety oversight on the remaining segments to be completed by 1991 at each end of the Blue Line project. Staff will also begin overseeing the safety of operations and maintenance of the initial segment that opens in July 1990.

Although the LACTC Green Line project is still in the design stage, CPUC staff stay in close contact with LACTC staff. The CPUC staff is particularly interested in two current programs: the preliminary hazard analyses being performed by the design consultants; and LACTC's plans for replacing conventional fail-safe electro-mechanical relays with microprocessors and computer software. The new electronics will perform vital safety functions in the automatic train control system.

LACTC BLue Line

In July 1990, the MetroRail "Blue Line" will open between Los Angeles and Long Beach. This 21-mile line, with 100 grade crossings and 19 grade separations, features both private right-of-way and "streetcar" operation for speed, safety, and convenience. The completion of this line creates new commuting and employment opportunities for riders in south-central Los Angeles. CPUC Rail Transit Safety staff worked closely with LACTC throughout planning and construction of this project in reviewing the safety of the many crossings along the line. Mainline crossings (in between the two downtown streetcar-mode districts) will either be grade separated or provided with full automatic warning devices for maximum public safety.

LACTC Green Line

The Norwalk-El Segundo Green Line is the LACTC's second light rail project. The Green Line will operate between the San Gabriel River Freeway in Norwalk (I-605) and Compton Boulevard in El Segundo. The entire 17 mile length will be grade separated. The Green Line is scheduled to begin operation in 1993.

Bay Area Rapid Transit District

Following through on the Commission-ordered investigation (I.85- 02-007) into the fire safety of the Bay Area Rapid Transit (BART) system in the San Francisco Bay Area which was concluded last year, CPUC staff developed an oversight plan to monitor and resolve the remaining recommendations presented by BART's consultant on Wayside Fire Safety improvements. The items included in this oversight plan are: water improvements through its system; communication systems modifications; wayside obstruction removal; new systemwide graphic standards, ventilation system upgrades, additional stairways for improved exiting capacity and modifying the vehicle emergency evacuation plank. CPUC staff is presently monitoring BART's action on these recommendations.

Through oversight plans CPUC staff also is monitoring BART's four extension projects: Dublin/Pleasanton, Pittsburg/Antioch, Warm Springs and Colma. These four extensions will add over 27 miles of new track and eight new stations to BART's system. The oversight plans involve CPUC inspections, witness points and reviews at predetermined points to ensure each extension adheres to CPUC regulations and appropriate industry standards. CPUC staff is presently involved in reviewing the preliminary design and design documents for the various aspects of all the extensions.

Santa Clara County Light Rail Transit System

The Santa Clara County Transit Agency (SCCTA) opened the northern portion of its rail system in late 1987 and extended services to downtown San Jose in 1988. The South line, which completes the 20 mile system, is expected to be in operation by September of 1991. CPUC staff is monitoring the development of the 10.5 mile South Line with an established safety oversight plan. CPUC staff also continues to monitor the testing and safety equipment for the historic trolley program with an established safety oversight plan. In

addition, CPUC staff is moderating SCCTA's committee investigating a proposed speed limit increase in the San Jose Mall Area of SCCTA system.

Sacramento Light Rail Transit System

Sacramento Regional Transit's (SRT) light rail system opened in 1987. Ridership is at capacity and ten new light rail vehicles are on order. CPUC staff is providing safety oversight of projects which will increase the amount of double track on the system and allow the time between trains to be reduced from 15 to 10 minutes. In addition, CPUC staff conducted an audit of SRT's maintenance system, where staff reviewed in-house maintenance documents and inspected various equipment for inspection and maintenance frequency.

San Diego Light Rail Transit System

This year the San Diego Metropolitan Transit Development Board (MTDB) added 1.3 new route miles to the San Diego Trolley light rail system. This new trackage known as the Bayside segment of the East Line was overseen in its entirety from design through construction, testing and start-up by the Rail Transit Safety Branch to assure compliance with General Order No. 143. The total system length of 32.8 miles has been built under the safety oversight of the CPUC.

System Safety General Order

CPUC staff have joined with representatives of each rail transit system in the state to jointly draft a new general order requiring all rail transit operations in the state to develop and implement system safety programs covering the entire scope of their operations. The new general order is expected to be completed by April 1991.

Post-Earthquake Rail Transit Oversight Plans

Following the October 17, 1989 Loma Prieta earthquake CPUC staff took the following actions to ensure the safety of all rail transit systems affected by the earthquake.

CPUC staff developed and implemented a Post Earthquake Oversight Action Plan specifically for the Bay Area Rapid Transit (BART) system. The action plan was developed to enable CPUC staff to accumulate enough information to evaluate BART's post earthquake performance and to identify any safety items or procedural deficiencies which might become a safety concern. The safety oversight plan and staff's resulting activities focused on the following: document reviews to establish BART's actual earthquake response, document reviews to determine BART's proper response, inspections of all reported earthquake damage, an audit of overcrowding safety concerns and an audit of BART's extended revenue service maintenance procedures.

Santa Clara County Transit Agency's (SCCTA) entire system was inspected and only minor damage was found and the system was returned to revenue service in less than 3 hours. During the CPUC's inspection, staff focused on the following areas: SCCTA's Emergency Earthquake Plan, SCCTA's actual earthquake response and various future activities relevant to its earthquake plan or its emergency preparedness.

EARTHQUAKE RESPONSE

On Tuesday, October 17, 1989 at 5:04 p.m., a 7.1 earthquake - now called the Loma Prieta Earthquake after its epicenter, Loma Prieta Mountain in the Santa Cruz Mountains - rocked the entire San Francisco Bay Area for 15 seconds and wrecked significant damage sporadically throughout the area.

Electric power outages and natural gas leaks occurred in many areas. The telephone system, although undamaged, was overwhelmed as people both within and outside the state tried to contact family members, seek help, or get information. Some water and transportation utilities' systems sustained damage which temporarily disrupted their ability to provide water or transportation services.

This natural disaster tested the utilities' system integrity, employee training, and disaster preparation on a large scale - and it quickly became clear that the utilities and their employees were well-prepared to assist both emergency response efforts as well as to respond to the needs of the general public. The fact that most utility systems in the state are constructed on a grid enabled service to be restored quickly to many areas by rerouting it around the earthquake damaged areas.

The California Public Utilities Commission formally and publicly acknowledged and commended these utilities and their employees for their prompt, effective and often extraordinary action to safely restore service to customers, to assist in emergency response efforts, and to provide useful information to the public through the media: Pacific Gas & Electric Company, Pacific Bell, Bay Area Rapid Transit System, GTE Telephone, AT&T-C, McCaw Cellular Communications, Inc., Bay Area Cellular Telephone, MCI Telecommunications, US Sprint Communications, PacTel Cellular, Crowley Maritime, San Jose, Great Oaks, and California Water Service companies, and Southern California Gas and San Diego Gas & Electric both of which sent employees from Southern California to assist PG&E employees.

The earthquake also tested the abilities of and produced extraordinary efforts from CPUC employees, particularly Transportation and Safety staff as they participated in inspecting railroad and rail transit tracks and facilities and utility facilities and emergency recovery operations, and Water Utilities Branch employees as they contacted smaller water systems in the area to assess their operating capacity and assist them as needed.

The collapse of a section of the San Francisco - Oakland Bay Bridge left the Bay Area without the use of a major commute and commerce corridor. The Commission acted quickly to approve expanded ferry service to help alleviate the transportation crisis that resulted from the closure of the Bay Bridge.

In addition, after being told that tour buses were hindering recovery efforts by bringing passengers to sites of major destruction like the Marina in San Francisco, Commission President G. Mitchell Wilk sent strongly worded letters to all charter passenger carriers warning them to cooperate with local traffic ordinances and police directives and to stay away from those areas or face CPUC suspension or revocation of their operating permits.

The skilled, selfless, and often heroic efforts of their employees, and the effectiveness of the utilities' and CPUC's response to this disaster was tribute to their preparedness efforts. These efforts have since been reevaluated and augmented mindful of the experts' predictions that the Loma Prieta Earthquake was a precursor to a potentially more devastating earthquake that California may experience sometime in the future.

THERE
WHEN YOU NEED US.
Oakland. Hollister. Santa Cruz. San Francisco. Watsonville.
Whenever there was trouble in the recent earthquake emergency, PG&E people were there to help.
Above are just a few of PG&E's 28,000 employees, but they symbolize the energy and spirit of all of them. Within minutes of the October 17th earthquake, PG&Ers were on the job, overcoming the damage of the earthquake, doing what had to be done, assessing the status of our system, responding to thousands of customer calls, taking action to restore service and performing all the support functions needed to back up the line workers.
The quake caused as many as 1 million customers to lose power. Within 48 hours all but 12,000 of those customers had their electric service restored. Soon thereafter power was available throughout the system. During the emergency more than 150,000 customers lost or turned off their gas. Within a week every pilot light was relit except in a few places where safety prevented us from doing so.
Yes, it's our job to respond to crises. But never before have our employees done it with more dedication or professionalism. I'm extremely proud of all of them. I salute them every one.
PG&E

PG&E commended its employees for their earthquake recovery efforts in this full-page newspaper ad. This ad might as easily have been written for the employees of all the other utilities and the CPUC who were also there when the public needed them.

WATER

The CPUC regulates 245 investor-owned for-profit water and sewer utilities in California. It has no jurisdiction over 1,000 other publicly-owned systems and mutuals that are owned by their customers.

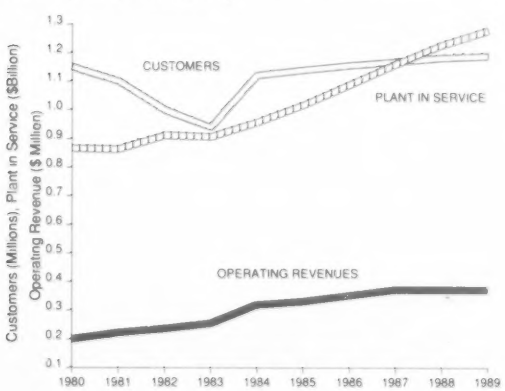
CPUC-regulated water utilities range in size from the largest, serving over 300,000 customers and with $100 million in revenues to those with fewer than 10 customers and less than $1,000 in revenues. They serve about 20 percent of the state's residential water users located primarily in suburban and rural areas, as well as commercial and other customers located in their service areas.

The number of CPUC-regulated water and sewer utilities is decreasing steadily, although the total number of customers they serve is increasing.

Over time, many of the smaller, less viable utilities are being consolidated with larger systems or being taken over by their customers and their service areas converted to public districts. During 1989-1990, ten small water utilities became publicly-owned and two merged with large water companies. The Commission encourages mergers where more professional management might address service problems of small utilities.

Only a few new water utilities have come under CPUC regulation in recent years - primarily very small existing systems that have come to the CPUC's attention as a result of customer complaints about their rates and service.

GROWTH OF LARGE WATER UTILITIES
(California Water, Southern California, San Jose, California American, Suburban, San Gabriel Valley, Dominguez, Citizens Utilities, Park, Great Oaks)



Drought Investigation

The 1989 Commission investigation assessing the impact of the drought on water utilities and their customers, and determining ways to mitigate the effects of the drought, is expected to continue as long as drought conditions exist in California. The CPUC has approved mitigation measures including: conservation information programs; distributing low-cost water conservation kits; voluntary conservation programs; mandatory rationing; and conservation expense and lost revenue recovery programs based on the premise that in order to promote conservation both the utilities and their customers should bear the economic impact of the drought.

In California's fourth year of drought, the available water supply is decreasing. Rationing and conservation programs which existed in regulated Central California water utilities in 1989 have been continued, and additional programs are being implemented in 1990. Rationing, voluntary conservation or mandatory conservation programs are proposed or existing for 70 percent to 80 percent of the utilities served by the Metropolitan Water District of Southern California.

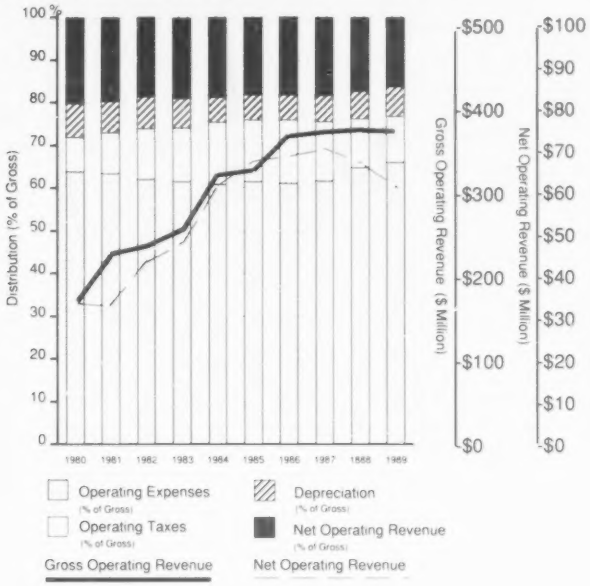
Revised Rate Case Plan

In March 1989, the Commission opened a rulemaking proceeding to revise the schedule used for processing the rate increase applications of major water utilities.

A CPUC Administrative Law Judge (ALJ) conducted a series of workshops to receive comments from the CPUC staff and representatives of CPUC-regulated water utilities. The ALJ issued a ruling for Commission consideration in June 1990. The Commission's decision is expected by August 1990.

DISTRIBUTION OF REVENUES AND EXPENSES LARGE WATER UTILITIES

(California Water, Southern California, San Jose, California American,Suburban, San Gabriel Valley, Dominguez, Citizens Utilities, Park, Great Oaks)



Main Extensions and Service Connections Rules Investigation

The CPUC's Water Branch has finalized an Order Instituting Rulemaking (OIR) regarding the main extensions and service rules applicable to water utilities. The OIR is scheduled for consideration by the Commission at its July 6, 1990 meeting.

The current CPUC rules allow customer advances and contributions for main extensions and other identifiable facilities to serve new customers, but prohibit service connection fees.

Some utilities are finding it difficult to finance the construction of additional plant needed to serve new customers and have proposed that the Commission authorize them to charge service connection fees to defray the costs of new plant. The Commission will assess the financing problems of the utilities and determine the need and nature of the revisions to be made to the existing rules to alleviate these problems.

Financial Issues Facing Water Utilities

A copy of a report prepared by the CPUC's Water Utilities Branch entitled "Water Utility Risk and Return" was mailed to all CPUC-regulated water utilities and other interested parties. The report covers risks and returns of water utilities and explores possible measures the Commission might take to address the industry's regulatory and financial concerns. The Commission Advisory and Compliance Division (CACD) intends to recommend that the Commission open an Order Instituting Investigation into the financial issues confronting the water utility industry. The report was intended to spark interest and to generate comments that the Commission might use to frame those issues. In the report cover letter, CACD asked for comments, suggestions or ideas that might be included in the investigation.

Water Quality

In 1986, Congress amended the Safe Drinking Water Act of 1974 to tighten the water quality requirements imposed on drinking water suppliers. During 1989, the Environmental Protection Agency (EPA) established regulations for potential contaminants. The EPA will issue monitoring requirements for these contaminants and develop new standards for filtration and disinfection. The potential effects on rates of the utilities' costs of complying with the regulations may vary from less than a 20 percent increase in rates for customers of large utilities to a 100 percent or more increase for those served by small utilities.

The Water Utilities Branch has been following the evolution of these new standards and compiling information on operational and capital costs that eventually will be used to adjust rates.

Large water utilities have been phasing in system improvements which have not produced large rate increases. Some small water utilities are being required to make significant system improvements causing substantial rate increases.

Seismic Safety

The Loma Prieta Earthquake, epicentered ten miles east of Santa Cruz, did comparatively little damage to the CPUC-regulated three large water utilities in the area except for the Austrian Dam owned by San Jose Water Company and located about eight miles from the epicenter. Fortunately, the reservoir was near empty. The reservoir was restored to service within a month at a cost of about $1.5 million dollars.

Typical damage to the large water utilities as well as a number of smaller water utilities in the area included rupture of small storage tanks, broken storage tank inlet and outlet piping, and transmission and distribution main breaks. Power failure in the general area of the earthquake made it difficult for the water utilities to restore service because nearly all systems require power for pumping either in lifting water or boosting water pressure.

For the most part, repairs were made swiftly. The larger water utilities were able to manage the operations of their systems and restore service to their customers by sectioning and bypassing while damage repairs were underway. Smaller systems, however, did not have this bypass capability and were down for varying periods. Mountain Charlie Water Works, located near the epicenter, was particularly hard hit. It lost virtually all storage and distribution capability. As a result, the system essentially has had to be rebuilt.

The Commission authorized affected utilities to record the costs of repair of earthquake-caused damage in memorandum accounts which they can then use to support their future rate increase requests to the Commission.

The CPUC's Seismic Safety Committee (CSSC) was formed in June 1989 - four months before the Loma Prieta Earthquake. The CPUC's Water Branch in coordination with this committee conducted a seismic preparedness survey of all Class A, B and C water utilities in August 1989. The survey results indicated that the water utilities, in general, were gearing themselves to respond to future earthquakes and making good progress.

Cross-Connection Protection

The California Administrative Code has been revised to require water suppliers to protect the public water supply from contamination by inadvertent interconnection with contamination sources.

State and local health agencies must: adopt operating rules and ordinances for all water suppliers to assure cross-connection protection; survey all water systems to identify water user premises where cross-connections are likely to occur; require the installation of protection devices at or on the users' premises where cross-connection potential is found to exist; require each supplier to provide at least one person trained in cross-connection control to carry out the program for the supplier; establish a procedure for periodic testing of backflow preventers; and require the supplier to maintain records of locations, tests, and repairs of backflow preventers.

The Water Utilities Branch, in cooperation with the California Department of Health Services, revised the related CPUC rules to conform to the new requirements.

Water Utility Risk and Return

Many of the traditional ratemaking mechanisms used in water regulation were established during a period when all utility markets were monopolies. In recent years, the Commission had revised its ratemaking mechanisms for the telecommunications and energy industries in response to new utility market pressures of competition and technological innovations. To assess current market influences in the water industry, the Commission requested CACD to perform a rate of return and risk analysis of water utilities within its jurisdiction.

CACD's Finance Branch and the Water Utilities Branch issued a report in April of 1990 summarizing its review of the properties, concerns and ratemaking treatment for both large and small water utilities. The analysis found that although some issues were common to both the large and small water utilities, there are enough differences to warrant separate ratemaking treatment.

Small water companies have special problems created by their lack of economies of scale and inaccessibility to external financing. Analysis indicated that a small water utility's earned rate of return is more volatile than that of a large water utility. Small water utilities also face greater operating and regulatory risk than the large water utilities.

The report recommended that in general, traditional rate regulation is still appropriately applied to this industry, which has not experienced the fundamental market changes seen in the energy and telecommunications industries. However, the report suggests that the Commission consider holding en banc hearings or workshops to permit utility representatives to express their concerns and opinions. Additionally, the report recommends that current ratemaking practices for small water utilities be investigated and refined.

CONSUMER AFFAIRS

The CPUC's Consumer Affairs Branch (CAB) answers protests and inquiries and resolves complaints from utility customers. CAB staff explain rates, regulations and policies of the energy, telecommunications and water utilities regulated by the CPUC and provide information about the CPUC's purpose, functions and procedures.

In addition, CAB works with the utilities to clarify their rules and regulations. CAB also provides input on legislation that would affect utilities and utility customers. CAB keeps the Commission informed through monthly activity reports and consumer alerts about consumer problems and significant utility activities.

In April 1990, CAB published "A Consumer's Guide to Gas and Electric Service" for residential customers. This brochure is being distributed to individuals and community organizations in an effort to inform utility customers of their rights and responsibilities in obtaining and keeping gas and electric service.

This fiscal year, in response to consumer complaints, CAB resolved a number of cases including:

- Resolving a complaint filed by a Southern California Gas curtailment customer who was backbilled for three years. Due to extenuating circumstances, the utility agreed to rescind its backbill of $1,514,787.69 and credit the account.
- Helping find an alternative route for a Southern California Water Company line extension that saved a consumer $55,150.00.
- Encouraging SDG&E to file an advice letter to correct tariff inequities in its billing of cogenerators which resulted in an adjustment to 80 customers.
- Working with PG&E to complete the installation of a new line extension in Salmon Creek that was requested by consumers in the area.

Other major issues and problems CAB addressed during 1989–1990 included:

ENERGY

- PG&E outages: Loma Prieta Earthquake, February 1990 snowstorm in the Sierras, April 1990 ecotage near Santa Cruz, and the May 1990 collapse of an electric tower on San Bruno mountain.
- Rule 3—Joint Liability for Service
- Low Income Rate Assistance (LIRA)
- Electromagnetic fields
- Increased deposit requirements
- Meter tampering
- SoCal Gas incorrect backbilling procedures
- PG&E January 1, 1990 general rate case

TELECOMMUNICATIONS

- Interexchange Carriers marketing competition ("slamming") without customer approval
- 1989 Pacific Bell strike
- Pay phone presubscription
- Cellular bundling
- Telephone company responses to the Loma Prieta Earthquake
- CPUC's new incentive regulatory framework for Pacific Bell and GTE California
- 900 numbers
- Caller Identification
- Automatic Dialing Announcing Devices (ADADs)
- Customer Owned Pay Telephones (COPT): Refunds and AB 689 rules
- GTEC's erroneous service disconnections of customers and delays in restoring service in a timely manner
- SB 101 4 hour service calls
- Aggregators

WATER

- Severe drought - central coast
- Water rationing/banking
- Loma Prieta Earthquake

TRANSPORTATION

ENFORCEMENT

Unsafe Carriers' Operations Stopped

At the recommendation of the California Highway Patrol, the CPUC acted quickly to suspend the operating authorities of 14 truck operators and 18 bus companies for unsatisfactory safety ratings. CPUC staff then conducted surveillance of each company to ensure that it did not continue operations after its authority was suspended; penalties of up to $5,000 were imposed upon carriers that flaunted the suspension order. In addition, the CPUC denied renewal of operating authority of one bus operator who continually violated over-the-road safety rules.

Out-of-State Carriers Fined

Interstate carriers headquartered in other states but operating in California are being monitored to ensure compliance with CPUC regulations. Ten carriers have been fined a total of $44,000 for various violations. One carrier was fined $17,000.

CPUC Goes After Unlicensed Household Goods Carriers

The CPUC has stepped up efforts to identify and prevent unlicensed movers from operating.

Numerous consumer complaints have been filed with the CPUC about moving companies which have misled consumers about moving charges and ignored loss and damage claims - the CPUC subsequently found out these movers were unlicensed.

These carriers often attract customers by advertising low rates in neighborhood shopping newspapers and listing only a telephone number. Then, they disconnect the phone when they start receiving consumer complaints. Pending legislation would allow the CPUC to impose sanctions against unlicensed movers that advertise and would, if approved, be more effective than conducting a time-consuming investigation and referring the matter to the courts.

Fines Go To The General Fund

The CPUC's Transportation Division collected close to $900,000 in fines from passenger and property carriers who violated statutory and CPUC regulations. These fines were forwarded to the state's General Fund for disposition.

Limousine Checks

In its ongoing effort to identify and prosecute unlicensed limousine operators, CPUC staff conducted road checks at entertainment and sporting events where limousines were likely to be in large numbers, such as the Academy Awards, Grammy Awards, World Series, All-Star Game, and Rolling Stones concert. Permit checks were also made at airports and high school proms with uniformed police usually assisting CPUC staff. Besides uncovering unlicensed operators, the checks found violations of the Vehicle Code and, in one case, a stolen limousine. Criminal, civil, or administrative action - as appropriate - was taken against the unlicensed carriers. Road checks are an effective enforcement tool because CPUC staff can inspect dozens or even hundreds of limousines in a few hours.

Safety Takes a Front Seat

Passenger safety is a top priority with CPUC staff working closely with the California Highway Patrol (CHP) and other law enforcement agencies to ensure the safe operation of carriers operating under the CPUC's jurisdiction. Joint agency safety checks were held at San Francisco International Airport, Yosemite National Park, and other points frequented by buses and vans. The checks revealed serious safety defects and many of the vehicles inspected were immediately placed out of service.

The CPUC suspends operating authorities and denies applications for authority when it is notified by the CHP that a carrier has received an unsatisfactory safety rating. CPUC staff follows up by conducting numerous investigations of carriers whose operating authority it has suspended to make sure that these operators do not continue to operate unlawfully.

Interagency Programs

By Executive Order D-76-89, March 3, 1989, the Governor created the Heavy Commercial Vehicle and Driver Safety Task Force requested by SCR 67 (Russell). The Task Force is composed of representatives from a number of state agencies, including the CPUC, labor organizations, and private industry motor vehicle owner and operator associations. The CHP is the lead agency and directs the efforts of the Task Force to investigate and make recommendations to improve licensing, vehicle operation, interagency coordination, driver training, and maintenance in order to assure heavy commercial vehicle and driver safety in California. A report will be issued to the Legislature by January 1, 1991.

IMPLEMENTATION OF NEW LICENSING AND ENFORCEMENT MEASURES

During 1989-90, a number of legislative bills were enacted which had significant effects on the licensing and enforcement regulation of carriers operating in California. These included:

Tarp Bill Study (AB 3220)— Effective September 1, 1990 tarps are required on dump trucks hauling aggregate materials. Exempt from tarping are loads that remain below the upper edge of the cargo box and shipments of petroleum coke or asphalt which already are tarped. The CPUC annually will review and adjust dump truck rates to fully reflect the costs associated with tarps and related equipment modifications. The CPUC staff conducted workshops and in June 1990 a consensus agreement was reached by the parties present. The agreement resulted in a two-year interim surcharge of 1.3 percent for all commodities, except for asphalt and petroleum coke which will have a surcharge of 0.8 percent, and a new permanent item charge of $2.50 per cargo container to recover tarping labor costs. The agreement has been submitted for Commission consideration.

Safety of Operation and Registration (AB 3489)—In 1988, the Legislature passed AB 3489 which authorized CPUC enforcement action if for-hire vehicles used to carry passengers or property are not insured. Pursuant to this bill, every highway and passenger carrier must give the CPUC a list of every vehicle it used in 1989 in transportation for compensation. This list will be sent to the CHP and to the carrier's insurance company to verify that all vehicles operated were insured. Failure to have insurance for any for-hire vehicle will be reported to the CPUC for action including fines and/or suspension-revocation of operating authorities.

Safety and Reporting Requirements (AB 3490)— The CPUC began implementation of AB 3490 on July 1, 1989. This law, which is aimed at tightening entry into the trucking industry in California in relation to safety standards and the protection of employees, affects the CPUC's Transportation Division functions in two areas. The legislation directs the CPUC to establish a program that monitors safety standards of new carriers as well as the workers' compensation insurance coverage of existing highway common and permit carriers. The CPUC is directed not to issue or authorize the transfer of any certificate or permit unless the carrier demonstrates compliance with safety requirements and regulations, and shows evidence of maintaining adequate workers' compensation insurance coverage. The Commission has established a new program for the certification of workers' compensation insurance which expanded the CPUC's regulation of insurance requirements.

Carrier Annual Reports (AB 1476)— Effective July 1, 1990, AB 1476 requires carriers making over $350,000 to file an annual report prepared under oath and containing required information concerning its employees. The CPUC must then submit a copy of the report to the carrier's workers' compensation administrator. In addition, all household goods carriers, passenger stage corporations, and charter-party carriers are required to file with the CPUC on or before July 1, 1990, a certification of workers' compensation coverage for their employees. With the passage of AB 1476 and AB 3490, the CPUC has an all encompassing requirement for carriers to have workers' compensation coverage for their employees.

Driver Privilege Suspension (AB 2706)— AB 2706, effective January 1, 1990, requires the CPUC to suspend owner-operator operating authority when the Department of Motor Vehicles (DMV) notifies the CPUC that a carrier's driving privilege has been suspended or revoked, unless the carrier can show within 15 days good cause why it should not be suspended. CPUC Transportation staff has developed a program which enables owner-operator information to be electronically transmitted directly to the DMV.

INVESTIGATIONS

Used Household Goods OII

In I.89-11-003, the Commission opened an investigation into the economic regulation of used household goods transportation and whether prior Commission decisions, general orders, or other rules in this area should be modified. In response to the investigation, the CPUC's Transportation Division issued a report in January 1990 which discussed carrier profitability, competition, and current regulations, and a second report in February 1990 which discussed industry operation and structure.

Following a series of prehearing conferences, evidentiary hearings were held in April and May as were ten public participation hearings in five locations throughout the state. Industry witnesses proposed retaining the current minimum rate structure with minor modifications. Among the proposals for change was a proposal to create an arbitration system within the CPUC to deal with consumers' loss and damage claims against moving companies. An independent consultant proposed restricting entry into the industry to limit competition. DRA proposed eliminating government price setting and retaining carrier licensing, consumer protection rules, and safety regulations. DRA also proposed establishing a carrier performance report and a consumer outreach program to educate the public about moving service.

A proposed decision from the CPUC administrative law judge presiding over this investigation is expected in October 1990. A comment period will follow, with a

final Commission decision expected in November. The decision may have a significant effect on how rates for moving services are set, and on the CPUC's economic and enforcement policies for the moving industry.

Statewide Wheelchair Airport Access Study

In D.89-10-028, the Commission ordered the Transportation Division to identify what wheelchair accessible airport transportation services are offered by paratransit, public transit, and passenger state carriers, what remedies are available and recommended to increase access for persons in wheelchairs, and what economic impact the remedies would impose on carriers and customers. In addition, the staff has made a case study of five carriers to determine the economic impact requirements for various levels of wheelchair accessible service would have on carrier operations.

Prior to the statewide study, the staff completed a report which assessed the demand for wheelchair accessible services and its impact on the rate and financial operations of two Marin County airport passenger carriers. This study estimated fares would increase by anywhere from $.01 to $3.31 per passenger.

The recent passage of the federal Americans with Disabilities Act has highlighted the difficulties faced by the disabled, particularly those with mobility disabilities. The Act requires that many businesses and properties be made accessible to persons in wheelchairs.

Efficient Dump Truck Carriers

In a recent decision, the Commission directed that hearings be held to identify a way to determine "the costs that efficient dump truck carriers incur" in order to construct minimum rates. The staff proposed that the "efficient" firm be defined as one producing at a low average total cost. Using survey data and econometric regression techniques, the staff determined that dump truck carriers who produce at least two million ton-miles of output per year achieve the economies of scale necessary to be considered an "efficient" carrier. The Commission adopted this proposal.

Airline Study

In late 1989, the California State Senate asked the CPUC to study the state's airline market to determine what has happened to fares and service since the industry was deregulated in 1978. The 200-page CPUC staff report submitted to the State Senate on March 1, included the following conclusions:

- Overall, airfares rose 40 percent more than inflation since 1978 for intrastate California routes, and SFO to LAX fares rose by 50 percent. Fare levels have become increasingly volatile since deregulation.

- Service, defined as the number of flights, available seats, and passengers, increased steadily for the city pairs studied. Flights increased 121 percent, the number of available seats grew by 76 percent, and the number of passengers rose by 58 percent. Load factors (the percentage of seats filled on a flight) fell, however, from an average of 58 percent to 52 percent.

- Regression analysis showed that fare increases are associated statistically with increasing consumer incomes, falling load factors, constraints on supply, and some nationwide mergers. Other mergers, as well as airlines' market shares on particular routes, were not found to have a significant relationship with prices.

- Most gates at SFO and LAX are leased to carriers for 10-30 years, which limits the entry of new carriers. Although some gates are subleased to competitors, the competing airlines complain of high prices and unsatisfactory service.

SB 1723 proposes that an Office of Airline Consumer Information be established at the CPUC.

PROGRAM CHANGES

New Flexible Regulatory Program for General Freight

In February 1990, the Commission adopted a new regulatory program for general freight carriers to take advantage of what the Commission finds to be a workably competitive market. The new program allows common carriers to increase any of their rates - without Commission approval - within a "zone of reasonableness." That is, within a twelve month period, a carrier can increase rates up to ten percent above current rates, or lower them to the minimum level of variable costs. This pricing zone, together with competition, assures that rates cover carrier immediate "out-of-pocket" costs, do not unduly burden other traffic, and are not harmful to the public interest. Contract carriers may freely negotiate rate levels in their special contracts, which must be filed with the CPUC.

The flexible regulatory program established several measures to ensure safe, reliable service.

The Commission established a monitoring program focusing on service, rates, and safety to detect and correct any failures in the market. A minimum level of service requirement ensures that common carriers

serve small and rural communities at least once a week. Carriers must file all rates and associated discounts with the CPUC so the public can inspect them, and the CPUC has established a toll-free telephone number so that consumers can verify carrier operating authority.

The Commission ordered two phases of additional hearings on certain issues in the case. The Phase I hearings, to be held in July and August 1990, will consider rules for dividing revenue between truckload carriers and prime carriers; whether the CPUC's rules and regulations on leasing should more closely mirror the Interstate Commerce Commission's; and other outstanding issues. The Phase II hearings, to be held in early July 1990 will consider possible revisions to the common carrier variable cost floor adopted in the February decision. Commission decisions on the issues addressed in both phases are expected before the end of 1990.

Minimum Rate Tariff Amendments

Hearings were held in July and October of 1989 to consider a study by the Transportation Division which proposed special regulation of service provided by small vehicles, along with a petition filed by CMSA to amend MRT 4-C. CMSA proposed increases in minimum rates to offset increases in fuel and labor costs, reinstatement of a guaranteed price rate structure, institution of a "reduced rate" for small shipment service, and change in methodology for determining certain rates.

DRA presented testimony in support of both the Transportation Division's proposal for pricing flexibility for small vehicle service and CMSA's reduced rates for small shipment service. DRA also supported CMSA's proposal to change certain ratemaking methodology. However, DRA objected to the increase in minimum rates, suggested several different methodologies that would result in reductions in current minimum rates, and proposed a different guaranteed price structure. (Case 5330, OSH 100; Case 5432, OSH 956.)

The proceeding was held in abeyance in November of 1989, when the Commission instituted an investigation into the efficacy of economic regulation of transportation of household goods. (Order Instituting Investigation I.89-11-003.)

Increase in Minimum Rate for Livestock Transportation

In December 1989, the Commission approved a 3.5 percent increase in the minimum rate tariff for transporting livestock more than 160 miles.

In approving the increase, the Commission rejected an alternative method of calculating costs developed by DRA, citing the need for continuity in minimum rate

offset proceedings. The Commission affirmed, however, DRA's participation in this and all transportation proceedings. The decision reinforces DRA's mission—to advocate on behalf of consumer interests—and the appropriateness of DRA's participation in transportation cases.

Red & White/Blue & Gold Fleet Transfer

In July 1989, Harbor Carriers (Red & White Fleet) filed an application to transfer portions of its vessel common carrier authority to the Blue & Gold Fleet. Among the services which were to be affected by this joint application were commuter ferry service in Northern California between Vallejo, Tiburon, Angel Island, and San Francisco, and recreational ferry service between Sausalito, San Francisco and various other points around the San Francisco Bay.

The CPUC's Transportation Division examined Harbor Carriers' and Blue & Gold Fleet's operations in conjunction with DRA's preparation of reports on commuter service impacts, competitive impacts and other areas of DRA concern with the proposed transfer.

Two prehearing conferences were held in this matter, in September and December of 1989 (the latter subsequent to inauguration of emergency post-Earthquake ferry service by both Harbor Carriers and Blue & Gold). At the second conference, DRA expressed concern with both companies' lack of responsiveness to discovery efforts and questioned the status of negotiations between the companies given the altered ferry situation in the aftermath of the earthquake, the level of the asking price and the economic viability of the commuter services under normal passenger levels.

In January of 1990, the companies withdrew the transfer application. They have not taken any subsequent action with the CPUC to renew or initiate any ferry service authority transfer.

Napa Valley Wine Train

In April 1987, the Wine Train Company (Wine Train) bought an existing rail line and right-of-way in the Napa Valley from the Southern Pacific Railway. The line runs between the cities of Napa and St. Helena. The ICC granted the Wine Train permission to operate as a common carrier railroad along this route in December of 1985.

In March of 1988, however, the Coalition of Napa Valley filed a complaint with the CPUC asking that the Wine Train be subject to the California Environmental Quality Act (CEQA) and that its passenger service be subject to CPUC regulatory jurisdiction.

The CPUC asserted that it, and not the ICC, has jurisdiction over the operation of intrastate passenger service and in July 1988, the Commission issued

D.88-03-016 ordering the Wine Train to file an application for a certificate of public convenience and necessity, and to submit the environmental information required for CEQA analysis.

The CPUC also filed a suit against the ICC for jurisdiction over the Wine Train passenger service. The Wine Train filed suit against the CPUC to repeal D.88-03-016.

The parties to the Wine Train case entered into negotiations to settle the dispute concerning the CEQA process and operations of the train. In August of 1989, the CPUC approved a Settlement Agreement permitting the Wine Train to operate preliminary limited passenger train service, and requiring the preparation of an Environmental Impact Report (EIR) on the Wine Train pursuant to CEQA, with the CPUC as the lead agency.

The Wine Train's Environmental Assessment was filed in January of 1990 and released to the public. The CPUC issued a Draft EIR in May 1990 and public hearings were held in June of 1990.

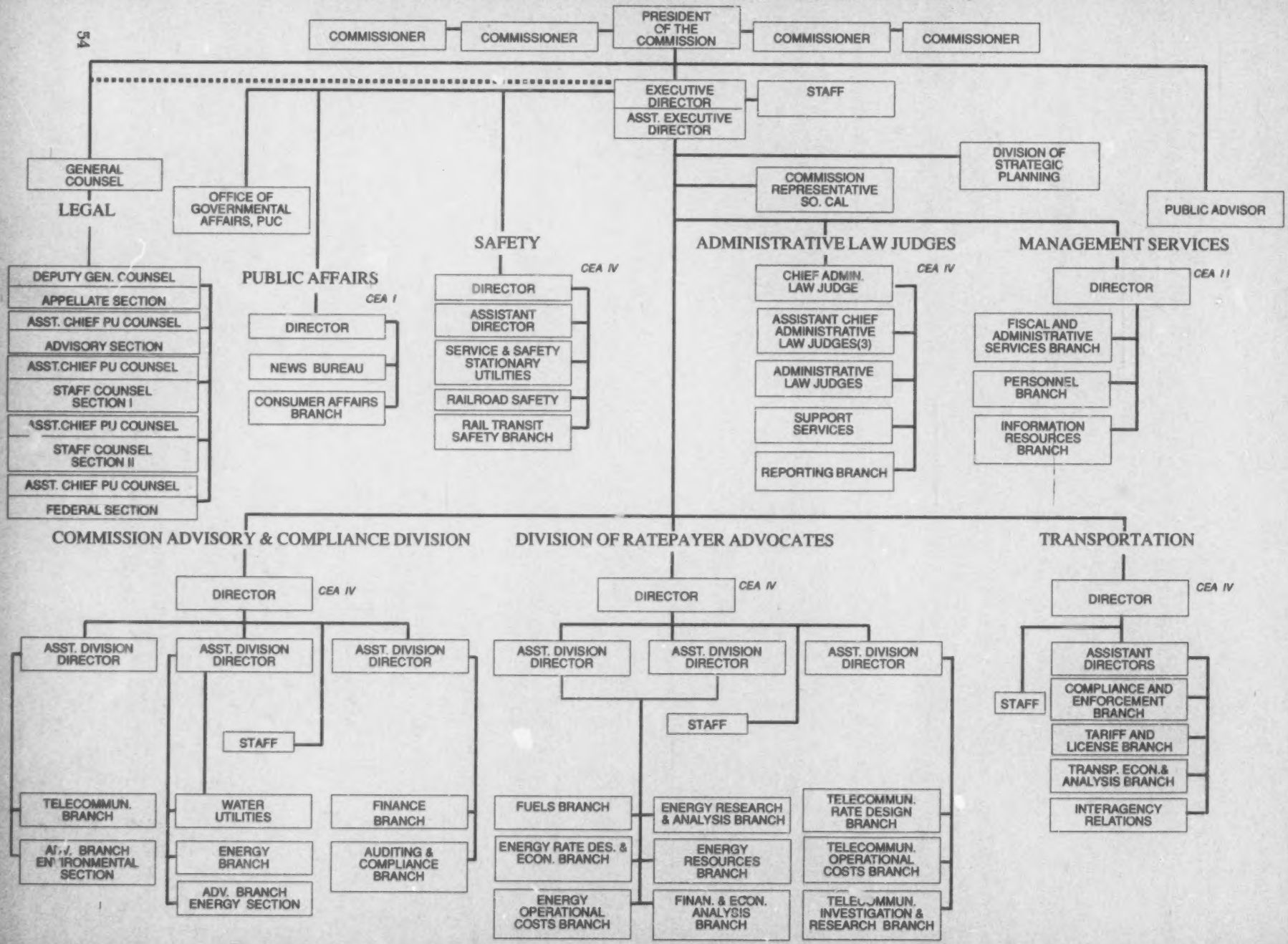
Airport Access

For the fiscal year ending June 30, 1990, 75 passenger common carriers filed applications with the CPUC requesting operating authority. During the last few years, the majority of applications have been for airport access service. This trend continued this year with 72 percent of the filings being for airport access service.

ZORF

Another trend which continued this year was applications for zones of rate freedom (ZORF). A ZORF allows a carrier to adjust its fares within a given range by making a tariff filing and may be granted to a carrier after it has made a showing that it is in a competitive environment. The CPUC processed 7 applications this year compared with 16 the previous year. Now, 20 percent of all passenger carriers have ZORFS.

CALIFORNIA PUBLIC UTILITIES COMMISSION (OCTOBER 1990)



ORGANIZATIONAL FUNCTIONS

NEAL J. SHULMAN

EXECUTIVE DIRECTOR

The Executive Director, appointed by the Commission, performs the Commission's executive and administrative duties. The Executive Director coordinates, supervises and directs the Commission's operations and affairs, and expedites all matters within the Commission's jurisdiction.

All division directors and other employees except Commissioners, Commissioners' aides, the General Counsel, and the Public Advisor report to the Executive Director. The Executive Director handles all administrative matters relating to personnel, services and material and presents the Commission's budget to the State's fiscal officers and the Legislature.

The Executive Director keeps a full and true record of all Commission proceedings and issues all necessary process, writs, warrants, and notices. When all parties are in agreement, the Executive Director may also dismiss complaints on applications. The Executive Director also administers oaths, certifies to official acts, issues subpoenas for witness' attendance and produces records needed at Commission hearings and investigations.

In early 1990, Neal J. Shulman, an attorney and for twelve years City Manager of the City of Richland in Washington, was chosen by the Commissioners to become the CPUC's Executive Director.

WESLEY FRANKLIN

Wesley Franklin has had diverse management experience with various divisions since coming to the CPUC in 1974. He became the CPUC's Assistant Executive Director in 1988.

MICHAEL A. DOYLE

As the Commission's Representative in Southern California since 1984, Mike Doyle is the CPUC's daily liaison with this area.

JANICE E. KERR

GENERAL COUNSEL

Section 307 of the Public Utilities Code provides that the General Counsel shall represent the Commission and the People of the State of California in all proceedings under the Public Utilities Act. The General Counsel heads the Legal Division, which provides advice and representation in all matters relating to the regulation of California utilities.

With degrees from both the University of California and Stanford University, Janice E. Kerr joined the CPUC as a staff attorney in 1966. She has served as General Counsel since 1977.

LEGAL DIVISION

Five basic sections implement Legal Division programs. They are the Advisory and Appellate Sections, Staff Counsel Sections 1 and 2, and the Federal Agencies Section. The Advisory Section advises the Commission and its staff on all legal matters. The Appellate Section reviews petitions for rehearing of Commission decisions and recommends to the Commission whether to grant, deny or modify such petitions. It also defends Commission decisions on appeals to the California Supreme Court.

Staff Counsel Section 1 is responsible for representing the Commission's Division of Ratepayer Advocates in hearings before the Commission dealing with telecommunications, the certification of new power plants or transmission lines and utility financing issues. Staff Counsel Section 1 also represents the Commission before other state administrative agencies like the California Energy Commission.

Staff Counsel Section 2 represents the Division of Ratepayer Advocates in all Commission proceedings involving energy utilities (except those involving certificates or financing), as well as all water and transportation utilities.

The Federal Section represents the Commission in federal courts and before federal administrative agencies, such as the Federal Energy Regulatory Commission, the Federal Communications Commission, and the Interstate Commerce Commission.

DIVISION OF ADMINISTRATIVE LAW JUDGES

MARY C. CARLOS

The Division of Administrative Law Judges helps the Commission discharge the quasi-judicial functions it must perform under terms of the California Constitution and State Statutes. The Administrative Law Judges conduct public hearings, analyze evidence and prepare recommended decisions for approval by the Commission in formal proceedings.

The Calendar Clerk, Docket Office, Process Office, Formal Files, and Reporting Branch are also part of this division.

A breakdown of Commission activity by days of hearing and number of decisions in formal proceedings is contained in the Statistics section of this report and titled: Annual Hearing/Decision Activity Report.

Since 1974, Mary C. Carlos has served the CPUC first as an attorney and then as an administrative law judge. She became the CPUC's Chief Administrative Law Judge in 1982.

DIVISION OF RATEPAYER ADVOCATES

TERRY L. MURRAY

The Division of Ratepayer Advocates (DRA) critically reviews and analyzes all utilities' applications that are set for hearing, testifies in hearings and investigations, and makes analyses and recommendations intended to serve the best long-term interests of all utility ratepayers.

The Division of Ratepayer Advocates is comprised of nine branches: Fuels; Energy Rate Design and Economics; Energy Resources; Energy-Operational Costs; Energy-Auditing; Telecommunications-Operational Costs; Telecommunications-Rate Design; Telecommunications Investigation and Research; and Financial and Economic Analysis. In August 1988, staff specializing in transportation issues were added to the Energy Rate Design and Economics unit.

Terry L. Murray, an economist with the CPUC since 1985 became the Director of the Division of Ratepayer Advocates in March of 1989.

KENNETH K. HENDERSON

COMMISSION ADVISORY AND COMPLIANCE DIVISION

The Commission Advisory and Compliance Division (CACD) advises the Commission whether to approve, deny, or modify all utility requests that are not assigned for hearing. It oversees enforcement of Commission orders and provides technical assistance to the Commission. It keeps the Commission informed about major developments affecting each utility within the Commission's jurisdiction. It is comprised of six branches: Telecommunications; Energy; Water Utilities; Accounting and Finance; Auditing and Compliance; and Advisory.

During his 19 years with the CPUC, Kenneth K. Henderson has served in its Transportation Division and as an Administrative Law Judge. In March of 1989, he became Director of CACD.

WILLIAM R. SCHULTE

TRANSPORTATION DIVISION

The Transportation Division sees that rates the Commission fixes are just and reasonable and that the service-regulated carriers, freight trains and trucks, privately-owned passenger buses, railroads, and vessels adhere to the state's transportation rules and regulations. It issues operating licenses, collects statutory fees, and cooperates with other state agencies to enforce truck and passenger carrier safety.

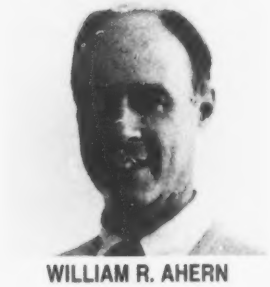
After assuming progressively higher management positions in the CPUC's Transportation Division since he joined the CPUC in 1972, William R. Schulte became Director of the Transportation Division in April of 1989.

WILLIAM OLIVER

SAFETY DIVISION

In February 1989, the staff and functions of oversight of electric, natural gas, rail, and rail transit safety matters previously performed by other divisions were consolidated into a new Safety Division. The division consists of three branches: Railroad Safety and Operations, Rail Transit Safety, and Utilities Safety.

William Oliver, a civil engineer, has held progressively higher management positions within the CPUC's Transportation Division since 1962. In early 1990, he became head of the CPUC's newly-formed Safety Division.



WILLIAM R. AHERN

STRATEGIC PLANNING DIVISION

Looking beyond the CPUC's daily responsibilities, the Strategic Planning Division analyzes emerging policy issues and changes in the regulatory environment caused by new economic, financial, institutional and technological trends. The Commission reviews this division's analyses to determine how these trends will affect its role and procedures.

With a doctorate in public policy from Harvard University, William R. Ahern has since 1980 held several management positions within the CPUC. He became Director of the Strategic Planning Division in March of 1989.

BRUCE H. KENNEDY

PUBLIC AFFAIRS DIVISION

The Public Affairs Division includes the News Bureau and the Consumer Affairs Branch. The News Bureau keeps the public informed of CPUC policy and action by means of print and broadcast media, and a variety of special publications. The Consumer Affairs Branch handles protests, complaints and inquiries from individual utility customers and keeps the Commission informed of consumer concerns.

Following six years' experience as editorial director for a San Francisco television station, Bruce H. Kennedy came to the CPUC in 1977 and has headed its Public Affairs Division since 1979.

ROBERT T. FERARU

PUBLIC ADVISOR

The Public Advisor assists people who want to participate in Commission proceedings.

Following eight year's experience as a consultant for the California Legislature in community, health, and environmental affairs, in 1985 Robert T. Feraru was appointed CPUC Public Advisor.

LEON D. MUNOZ

MANAGEMENT SERVICES DIVISION

The Management Services Division provides services to support the CPUC's daily operation. It also carries out a number of statutory functions required by the Public Utilities Code. It provides, among other things, administrative, data processing, personnel, employee training and development, fiscal, and budget planning services.

Three years after joining the CPUC in 1982, Leon D. Munoz, with masters degrees in public administration and business administration, became the CPUC's Director of Management Services.

UTILITIES
STATISTICAL SECTION

MAJOR GAS AND ELECTRIC UTILITY RATE APPLICATIONS FILED
Applications Filed July 1, 1989 to June 30, 1990

Utility	Type of Proceeding	Application Number	Date Filed	Revenue Requested
PG&E	ACAP	89-08-024	8/15/89	$ 143,000,000
	ECAC/ERAM/AER	90-04-003	4/02/90	544,500,000
	Gas/Elec.	90-04-041	4/25/90	39,244,000
	Gas/Elec.	90-05-003	5/01/90	14,700,000
	Cost of Capital Gas/Elec.	90-05-011	5/08/90	75,108,000
Subtotal				$ 816,552,000
SDG&E	ECAC/ERAM	89-09-031	9/29/89	$ 1,005,000
	Gas/Elec.	90-04-034	4/19/90	25,400,000
	Gas	90-06-028	6/22/90	4,055,000
Subtotal				$ 30,460,000
S. Cal Edison	ERAM	90-03-048	3/30/90	$ 234,800,000
	Elec.	90-04-036	4/24/90	60,000,000
	ECABF/AER/ ERABF/MAAB/ F/LIRA	90-06-001	6/01/90	479,000
		90-06-002	6/01/90	26,300
Subtotal				$ 295,305,300
SoCal Gas	ACAP	90-03-018	3/09/90	$ 205,000,000
	Gas	90-04-037	4/25/90	44,500,000
Subtotal				249,500,000
Subtotal Requested Revenue Increases				1,391,817,300
Subtotal Requested Revenue Decreases				-0-
NET TOTAL REQUESTED REVENUE CHANGES				$1,391,817,300

ELECTRIC RATE PROCEEDINGS
Decisions Effective July 1, 1989 to June 30, 1990

Application Number	Decision Number	Utility	Revenue Increase Requested	Revenue Increase Authorized	%	Proceeding Type
88-09-013	89-07-018	Sierra Pacific	$ 2,698,000	$ 2,052,500	N/A	ECAC/AER 1/
89-06-015	89-11-068	Sierra Pacific	506,000	N/A	N/A	Cost of Capital 2/
88-12-005	89-12-057	PG&E	365,009,000	394,406,000	N/A	General 3/
AL.778	Res.E-3171	SDG&E	27,875,000	30,382,000	109.0	Attrition 4/
89-05-064	90-01-048	SoCal Edison	(50,400,000)	59,614,100	N/A	ECAC/AER/ ERAM 5/
89-09-031	90-05-090	SDG&E	42,700,000	50,312,000	118.9	ECAC/AER/ERAM
TOTAL			$388,388,000	$536,766,600	138.2	

1/ Includes revenue changes from A.88-09-028 (ERAM proceeding).
2/ Revenue changes incorporated in A.89-08-027 (GRC proceeding).
3/ Includes revenue changes from A.89-04-001 (ECAC proceeding), A.89-05-019 (Cost of Capital proceeding), & I.88-07-009 (proceeding on LIRA).
4/ Includes revenue changes from A.89-05-023 (Cost of Capital proceeding).
5/ Includes revenue changes from A.89-05-021 (Cost of Capital proceeding) andAL.850-E (Attrition proceeding).

NATURAL GAS RATE PROCEEDINGS

Decisions Effective July 1, 1989 to June 30, 1990

Application Number	Decision Number	Utility	Revenue Increase Requested	Revenue Increase Authorized	%	Proceeding Type	
88-12-005	89-12-057	PG&E	$125,056,000	$ 39,005,000	N/A	General	1/
AL.692	Res.G-2900	SDG&E	7,729,000	8,184,000	105.9	Attrition	2/
89-04-021	90-01-015	SoCal Gas	(23,000,000)	17,422,000	N/A	ACAP	3/
89-05-006	90-01-015	SDG&E	(43,300,000)	(15,740,000)	N/A	ACAP	4/
89-08-024	90-04-021	PG&E	143,000,000	(2,900,000)	N/A	ACAP	
AL.414	88-12-081	SW Gas	N/A	197,734	N/A	Attrition	5/
TOTAL			$209,485,000	$ 46,168,734	22.0		

1/ Includes revenue changes from A.89-05-019 (Cost of Capital proceeding).
2/ Includes revenue changes from A.89-05-023 (Cost of Capital proceeding).
3/ Includes revenue changes from A.88-12-047 (GRC proceeding) and A.89-05-011 (Cost of Capital proceeding).
4/ Includes revenue changes from A.89-05-023 (Cost of Capital proceeding) and AL.692-G (Attrition proceeding).
5/ Includes revenue changes from A.89-05-037 (Cost of Capital proceeding) and D.89-09-044 (LIRA surcharge).

STEAM RATE PROCEEDINGS

Decisions Effective July 1, 1989 to June 30, 1990

Advice Letter No.	Utility	Revenue Change	Proceeding Type
162-H	San Diego Gas & Electric	$(364,853)	Fuel Cost
163-H	San Diego Gas & Electric	60,000	Attrition
164-H	San Diego Gas & Electric	(12,252)	Fuel Cost
91-H	Pacific Gas & Electric	998,000	Fuel Cost
92-H	Pacific Gas & Electric	838,300	General
	TOTAL	$1,519,195	

BUTANE RATE PROCEEDINGS

Decisions Effective July 1, 1989 to June 30, 1990

Advice Letter No.	Utility	Revenue Change	Proceeding Type
87-G	Southern California Edison	$(23,400)	Fuel Cost
88-G	Southern California Edison	14,900	Fuel Cost
	TOTAL	$(8,500)	

TELECOMMUNICATIONS RATE PROCEEDINGS

Decisions Effective July 1, 1989 to June 30, 1990

Application Number	Utility	(Dollars in Millions) Requested Amount	Authorized Amount	Note	%Request Granted
A.85-01-034	Pacific Bell **(1986 TY)**	-$ 239.0	-$ 391.0	1	-39%
A.87-01-002	GTEC **(1988 TY)**	+41.6	+32.2	2	-28%
A.87-01-002	GTEC	-2.4	-2.4	3	N/A
A.89-10-007	Citizens **(1990 AY)**	0	-0.5	4	N/A
A.89-10-008	Roseville **(1990 AY)**	0	-1.1	5	N/A
A.89-10-004	ConTel **(1990 AY)**	0	0	6	N/A
TOTAL		-$ 278.2	-$ 362.5		-23%

Notes:
1. D.89-12-048, dated December 18, 1989 ordered a $390,554,000 annual revenue reduction via surcredits and reduced surcharges for Pacific Bell, to be effective January 1, 1990.
2. D.89-12-048 authorized GTEC to record $32,224,000 annual revenue increase in a memorandum account effective January 1, 1990. This amount reflects a $593,000 reduction due to direct assignment of WATS.
3. D.90-05-083 ordered GTEC to adjust its surcharges to recover $2,443,000 less each year, beginning January 1, 1990, to reflect a tax saving due to refinancing its long-term debt.
4. D.90-06-015 authorized a rate of return of 10.75% for Citizens which, when applied to the company's capital structure requires a revenue requirement adjustment of -$457,000. Citizens had asked for authorization of a capital structure that would yield a 11.67% rate of return.
5. D.90-06-015 authorized a rate of return of 10.75% which reduces Roseville's revenue requirement by $1,051,000. Roseville had requested to maintain its 1989 authorized capital structure with a 12.02% rate of return.
6. D.90-06-015 authorized a rate of return of 10.75% which changes Contel's revenue requirement only slightly. Contel had requested a capital structure that would result in a rate of return of 11.89%.

WATER RATE PROCEEDINGS

(Large Companies)

Decisions Effective July 1,1989 to June 30,1990

Application No.	Decision No.	Utility	District	Rate Increase Requested	Rate Increase Authorized	Percent
88-09-041	89-07-056	Cal Am	San Marino	$ 2,346,300	$ 1,894,700	80.8%
88-09-042	89-07-057	Cal Am	Duarte	757,700	306,500	40.5
88-09-040	89-07-061	Cal Am	Balwin Hills	384,800	223,000	58.0
89-02-037	89-09-046	SoCal	Wrightwood	107,500	107,500	100.0
89-01-004	89-09-048	San Gabriel	Los Angeles	5,041,300	4,303,400	85.4
88-09-029	89-10-038	San Jose		6,890,200	(239,100)	-3.5
89-03-028	89-11-016	Citizens	Felton	257,215	99,100	38.5
89-03-029	89-11-016	Citizens	Sacramento	2,553,585	1,836,500	71.9
89-03-030	89-11-016	Citizens	Guerneville	565,753	0	0.0
89-03-031	89-11-016	Francis Land		231,474	80,200	34.6
89-02-027	89-11-017	SoCal	Bay	996,000	972,200	97.6
89-02-028	89-11-017	SoCal	Simi Valley	465,000	358,900	77.2
89-02-029	89-11-017	SoCal	Santa Maria	1,190,900	1,033,400	86.8
89-02-030	89-11-017	SoCal	Clearlake	414,700	393,300	94.8
89-02-031	89-11-017	SoCal	Calipatria	123,200	99,200	80.5
89-02-036	89-11-017	SoCal	San Dimas	1,733,800	1,526,800	88.1
89-02-042	89-11-017	SoCal	Orange County	1,172,200	26,500	2.3
89-02-050	89-11-063	Del Este		1,077,500	702,200	65.2
89-03-030	90-02-004	Citizens	Guerneville	507,437	157,800	31.1
88-05-021	90-02-020	SoCal	Desert	256,800	217,310	84.6
89-06-029	90-02-042	CWS	Bakersfield	2,862,000	2,069,500	72.3
89-07-001	90-03-034	Cal Am	Coronado	934,200	565,900	60.6
89-07-002	90-03-034	Cal Am	Village	1,346,100	655,500	48.7
		Totals		$32,215,664	$17,390,310	54.0%

WATER RATE PROCEEDINGS

(Small Companies)

Decisions Effective July 1,1989 to June 30,1990

Application No.	Decision No.	Utility	District	Rate Increase Requested	Rate Increase Authorized	Percent
88-03-068	89-12-021	Tehachapi		$ 20,200	$ 7,599	37.6%
89-04-032	90-01-033	Rosella		12,051	12,861	106.7
89-07-011	90-02-045	Apple Valley		2,581,700	2,097,700	81.3
89-08-038	90-05-082	Gibbs Ranch		50,460	31,256	61.9
		Totals		$2,664,411	$2,149,416	80.7%

WATER RATE PROCEEDINGS SUMMARY

Total Large Water Companies	$32,215,664	$17,390,310	54.0%
Total Small Water Companies	2,664,411	2,149,416	80.7
Total	$34,880,075	$19,539,726	56.0%

TOTAL WATER RATE PROCEEDINGS

Decisions Effective July 1,1989 to June 30,1990

Type of Proceeding	Number of Proceedings	Total Annual Revenue Increases
General Rate Increases (Formal Decisions):		
Large Companies	23	$17,390,310
Small Companies	4	$ 2,149,416
Subtotal	27	$19,539,726
General Rate Increases (Advice Letters)	12	$ 357,598
Offset Rate Increases (Advice Letters)	29	$14,710,044
GRAND TOTAL	68	$34,607,368

MAJOR REVENUE CHANGES

Decisions Effective July 1, 1989 to June 30, 1990

Type of Utility	Revenue Change
Increases	
Gas	$ 64,808,734
Butane	14,900
Steam	1,896,300
Electric	536,766,600
Communications	32,200,000
Water	19,539,726
Subtotal	655,226,260
Reductions	
Gas	(18,640,000)
Butane	(23,400)
Steam	(377,105)
Electric	0
Communications	(394,700,000)
Water	0
Subtotal	(413,740,505)
Net Changes	
Gas	46,168,734
Butane	(8,500)
Steam	1,519,195
Electric	536,766,600
Communications	(362,500,000)
Water	19,539,726
TOTAL NET REVISIONS	$ 241,485,755

OPERATING REVENUES OF LARGE UTILITIES IN CALIFORNIA

Year 1980 through 1989

End-of-Year	Gas 1	Steam	Electric 2	Water	Telephone 3	Total	Annual Increase
			(Dollars in Thousands)				
1979	$3,796,111	$3,786	$ 5,038,932	$178,173	$ 4,640,500	$13,657,502	12%
1989	5,024,015	4,315	7,1919,207	199,744	5,371,553	17,798,834	30%
1981	5,709,779	5,214	8,176,299	220,281	6,299,403	20,410,976	15%
1982	6,8i74,163	7,130	9,400,542	235,114	7,385,532	23,902,481	17%
1983	7,116,775	7,099	9,019,897	253,990	7,798,040	24,195,801	1%
1984	7,346,150	7,504	10,175,573	318,524	10,082,796 3	27,930,547	15%
1985	7,806,250	7,030	11,509,798	332,959	10,831,923	30,487,960	9%
1986	5,400,541	6,248	11,416,289	352,698	10,840,087	28,015,863	-8%
1987	5,494,672	6,056	11,607,048	370,544	10,695,236	28,173,556	1%
1988	5,689,425	7,244	12,340,309	371,555	11,308,485	29,617,018	5%
1989	5,713,538	6,850	13,476,889	373,296	11,108,645	30,679,218	4%
Annually Compounded Growth Rate							
1980-1989	1.4%	5.3%	7.2%	7.2%	8.4%	6.2%	-

1/ Revenue less interdepartmental sales.
2/ Revenue less interdepartmental and resale.
3/ Intrastate through 1983, total company thereafter.

CUSTOMERS OF LARGE UTILITIES IN CALIFORNIA

Years 1980 through 1989

End-of-Year	Gas	Steam	Electric	Water	Telephone	Total	Annual Increase
	(Customers in Thousands)						
1979	7,067	0.3	7,233	1,138	12,696	28,134	5%
1980	7,203	0.3	7,420	1,150	12,886	28,859	2%
1981	7,328	0.3	7,546	1,100	13,325	29,299	2%
1982	7,384	0.3	7,624	1,004	13,498	29,510	1%
1983	7,438	0.3	7,725	942	13,938	30,043	2%
1984	7,499	0.3	7,892	1,122	14,008	30,521	2%
1985	7,714	0.2	8,084	1,140	14,633	31,571	3%
1986	7,901	0.2	8,307	1,157	15,484	32,849	4%
1987	8,127	0.2	8,561	1,169	15,984	33,841	3%
1988	8,328	0.3	8,812	1,183	16,547	34,870	3%
1989	8,744	0.2	9,057	1,188	17,761	36,750	5%
Annually Compounded Growth Rate 1988–1989							
	2.2%	-3.4%	2.2%	0.4%	3.6%	2.8%	-

UTILITY PLANT OF LARGE UTILITIES IN CALIFORNIA

Years 1980 through 1989

End-of-Year	Gas	Steam	Electric	Water	Telephone [2]	Total	Annual Increase
	(Dollars in Thousands)						
1979	$3,764,462	$10,625	$12,895,178	$ 810,625	$12,791,650	$30,272,540	7%
1980	4,001,702	10,828	13,741,226	866,479	14,507,234	33,127,469	9%
1981	4,273,531	10,284	14,718,839	863,836	15,964,162	35,830,652	8%
1982	4,492,925	10,730	15,715,885	912,587	17,725,438	38,857,565	8%
1983	4,764,054	15,655 [1]	18,919,338	907,829	18,625,162	43,231,948	11%
1984	5,161,396	16,272	23,109,000	958,005	24,247,083 [2]	53,491,756	24%
1985	6,054,780	16,643	28,646,772	1,018,823	26,251,420	61,988,438	16%
1986	6,625,358	18,214	33,774,661	1,088,954	27,896,380	69,403,567	12%
1987	7,189,231	20,388	36,816,679	1,159,323	28,864,774	74,050,395	7%
1988	7,747,523	21,771	38,228,768	1,228,255	30,196,419	77,422,736	5%
1989	8,477,522	22,994	40,116,699	1,279,510	31,114,780	81,011,505	5%
Annually Compounded Growth Rate 1980-1989							
	8.7%	8.7%	12.6%	4.4%	8.8%	10.4%	-

1 Previously, majority of plant was allocated to Electric Department for electric production.
2 Intrastate through 1983, total company thereafter.

UTILITY FINANCING DECISIONS

Decisions Effective July 1, 1989 to June 30, 1990

Category	Energy	Telecommunications	Transportation	Water
Number of Decisions	12	4	1	4
Number of Decisions Authorizing Debt Financing	5	3	1	3
Number of Decisions Authorizing Equity Financing	2	1	0	1
Number of Decisions Authorizing "Extension of Time" and/or "Petition to Modify"	5	0	0	0
Amount of Funds Authorized for Debt Financing	$1,490,000,000	$44,556,000	$7,000,000	$10,500,000
Amount of Funds Authorized for Equity Financing	$ 433,550,000	$15,387,000	$ 0	$ 290,000
Amount of Fee Paid for Debt Financing	$ 604,546	$ 20,607	$ 8,000	$ 13,000
Amount of Fee Paid for Equity Financing	$ 211,324	$ 13,694	$ 0	$ 580

TELECOMMUNICATIONS UTILITIES FINANCING DECISIONS

Decisions Effective July 1, 1989 to June 30, 1990

Application Number	Decision Number	Utility	Type of Financing	Amount Authorized	Date Authorized	Amount of Fee Collected
89-07-039	89-10-024	Contel of Cal.	Debt	$40,000,000	10/12/89	$14,000
89-09-026	89-11-054	Roseville Tel.	Equity	15,387,000	11/22/89	13,694
90-02-024	90-05-028	S. Cruz Cell.	Debt	1,600,000	05/04/90	2,650
90-02-033	90-06-056	Winterhaven Telephone	Debt	2,956,000	06/20/90	3,957
TOTAL				$59,943,000		$34,301

ENERGY UTILITIES FINANCING DECISIONS

Decisions Effective July 1, 1989 to June 30, 1990

Application Number	Decision Number	Utility	Type of Financing	Amount Authorized	Date Authorized	Amount of Fee Collected
88-05-012	89-08-021	Edison	Petition for Modification	$ 0	08/03/89	$ 0
88-12-001	89-08-022	Edison	Debt	300,000,000	08/03/89	156,000
87-07-027	89-08-023	Edison	Debt	300,000,000	08/03/89	156,000
88-09-015	89-10-012	SW Gas	Extension of Time	0	10/12/89	0
85-06-043	89-12-013	PG&E	Extension of Time	0	12/06/89	0
89-07-050	89-12-014	Sierra Pacific	Debt	90,000,000	12/06/89	6,395
88-02-007	89-12-043	PG&E	Extension of Time	0	12/18/89	0
89-01-016	90-02-051	SDG&E	Debt	200,000,000	02/23/90	106,000
90-01-024	90-03-067	PG&E	Equity	402,500,000	03/28/90	207,250
84-03-091 88-09-015	90-03-079	SW Gas	Petition to Modify	0	03/28/90	0
89-12-044	90-04-029	Edison	Debt	600,000,000	04/11/90	180,151
90-05-030	90-06-057	SW Gas	Equity	31,050,000	06/20/90	4,074
TOTAL				$1,923,550,000		$815,870

WATER UTILITIES FINANCING DECISIONS

Decisions Effective July 1, 1989 to June 30, 1990

Application Number	Decision Number	Utility	Type of Financing	Amount Authorized	Date Authorized	Amount of Fee Collected
89-12-027	90-03-068	Ponderosa Wat.	Equity	$ 290,000	03/28/90	$ 580
90-02-064	90-05-027	Bakman Water	Debt	500,000	05/04/90	1,000
90-01-053	90-05-060	Cal-Am Water	Debt	6,000,000	05/22/90	7,000
89-10-013	90-05-081	Del Este Wat.	Debt	4,000,000	05/22/90	5,000
TOTAL				$10,790,000		$13,580

TRANSPORTATION UTILITIES FINANCING DECISIONS

Decisions Effective July 1, 1989 to June 30, 1990

Application Number	Decision Number	Utility	Type of Financing	Amount Authorized	Date Authorized	Amount of Fee Collected
90-01-002	90-01-052	Hornblower Yachts	Debt	$7,000,000	01/24/90	$8,000
TOTAL				$7,000,000		$8,000

TRANSPORTATION
STATISTICAL SECTION

DISTRICT OFFICE ACTIVITIES

Telephone Inquiries	144,202
In Person Inquiries	56,833
Applications for Operating Authority Received	4,767
Remittance Processed (fees, fines, penalties, etc.)	$2,386,979

SUMMARY OF INVESTIGATIONS COMPLETED

OPERATING AUTHORITY	
Highway carriers of property	2,099
Charter papassenger carriers	211
RATE AND TARIFF	
Highway carriers of property	585
Surety bond investigations	616
TOTAL Investigations	3,511

SUMMARY OF ROADCHECK ACTIVITY

Number of Roadchecks Conducted	67
Carriers Reviewed	9,656
Violations Disclosed	299

INFORMAL COMPLAINT SETTLEMENTS

CPUC staff secured monetary settlements in 323 informal complaints which alleged overcharging, shipment loss or damage, or nonpayment of subhaul monies by highway carriers of property.

	Number	Amount
Delinquent Subhaul Monies Secured from Prime Carriers	68	$120,596
Household Goods Carrier Complaints	447	
Property Complaints and Other Household Goods	68	
Household Goods Overcharge Settlements	106	47,055
Other Property Overcharge Settlements	5	2,333
Household Goods Loss and Damage Settlements	121	52,832
Other Property Loss and Damage Settlements	12	8,244
Household Goods Carrier Fines	4	1,525

FORMAL INVESTIGATION PROCEEDINGS

OII's issued by the Commission - 21

FORMAL DISCIPLINARY ACTIONS

2 Decisions Totaling	$76,916
Punitive	$ 6,500
Undercharges	$70,416
Collected from Formal Cases	$71,698

CITATIONS

Citation Forfeitures processed — 155, with fines of $250,000

Field Citation Forfeitures processed — 260, with fines of $197,140

Undercharged Citations processed — 47, with fines of $385,795

SUMMARY OF MISDEMEANOR CONVICTIONS

Type of Carrier	Convictions	Fines
Property	36	$100,752
Passenger	17	15,244
TOTALS:	53	$115,996

HIGHWAY CARRIER OPERATING AUTHORITIES
PROCESSING OF HIGHWAY CARRIER PERMITS AND CERTIFICATION

PERMITS	
New Permits	3,039
Transfers	1,413
Revocations	8,346
Motor Transportation	
Broker Licenses	76
TOTAL	12,874
CERTIFICATES	
New Certificates and Extensions	285
Transfers	146
Revocations	1,002
TOTAL	1,433

INSURANCE AND BOND FILINGS OF HIGHWAY CARRIERS OF PROPERTY/PASSENGERS

	Property	Passengers
Workers Compensation Insurance	14,371	N/A
Public Liability and Property Damage	34,201	3,704
Cargo Insurance (Household Goods Carriers)	1,094	N/A
Insurance Cancellations	40,074	2,037
Insurance Reinstatements	13,575	638
Surety Bond and C.O.D. Bonds	2,023	N/A
TOTAL	105,338	6,379

DECISIONS GRANTING NEW OR CHANGED CARRIER SERVICES AND RESOLVING COMPLAINTS 1989– 1990

Note: AA = Airport Access IC = Intercity HTW = Home-To-Work VCC = Vessel Common Carrier

NEW SERVICE

Decision Number	Name of Carrier	Type of Service	
D8908039	EAST BAY CONNECTION	AA	CONCORD-OAK/SFO
D8908040	S.A. SHIROKAWA, DBA GALAXY TRANSPORTATION SERVICES	AA	ORANGE COUNTY / L.A. — LAX OTHER AIRPORTS
D8907036	LAURA LEE NELSON DBA METROPOLITAN EXPRESS	AA	L.A. — LAX
D8911003	MICHAEL S. MITCHELL DBA SPACE SHIP SHUTTLE	AA	L.A. COUNTY — LAX/JOHN WAYNE
D8907038	LLOYD S. GREGWARE DBA GREGWARE LIMO'S	AA	L.A. COUNTY ETC. — LAX ETC.
D8907014	MARK WIXOM DBA EXECUCOACH INC	HTW	SONOMA CO./MARIN CO. — SF
D8909070	RUBEN DIAZ SR.,RUBEN DIAZ JR.,RUBEN PRAYONES DBA 3R EXPRESS	AA	L.A. COUNTY — LAX ETC.
D8909065	ANGELA BOB TRAVEL CORP DBA AB TRAVEL	AA	L.A. COUNTY — LAX
D8909015	SHUTTLE EXPRESS INTERNATIONAL, INC	AA	SAN DIEGO COUNTY — SAN
D8911002	SAN - SUI TOUR & TRAVEL INC	AA	L.A. COUNTY — LAX
D8909066	SAN DIEGO COUNTY TRANSIT MANAGEMENT, INC. DBA COAST SHUTTLE	AA	SAN DIEGO COUNTY — SAN
D8908007	PAUL B. THEUS DBA SEASIDE SHUTTLE	AA	SAN DIEGO AREA — SAN
D8911005	KATHLEEN YAMANO DBA AIRPORT TRANSPORTER	AA	SANTA CLARA CO. — SJC
D8911048	AIRPORT COMMUTER, INC	AA	LOS ANGELES CO. — LAX
D9006042	GEORGE N. FAHMI	AA	L.A. /ORANGE COUNTIES/RIVERSIDE — LAX
D8907051	FOOTHILL'S FLYER, INC	AA	PLACER COUNTY — SMA
D9003011	KENNETH OBATUSIN DBA SHUTTLE TRAK, L.A.	AA	LOS ANGELES — LAX
D8909077	JOHN B. BERRISFORD DBA DESERT SHUTTLE	AA	COACHELLA VALLEY — LAX
D8912012	KAMRAN CHITGAR DBA EXPRESS AIRPORT SHUTTLE	AA	SANTA CLARA/SAN MATEO — SJO/-SFO/OAK
D9003066	DAVID REGWAN DBA ALL AMERICAN SHUTTLE	AA	L.A. COUNTY — LAX
D9006041	HIGINIO C ANG DBA RIDE-4-U	AA	L.A. COUNTY — LAX
D9006053	FUTURA TRANSPORTATION CO, INC. DBA KING SHUTTLE	AA	LOS ANGELES CO. — LAX
D9002014	ILIA TZOKANOW DBA DESERT CITY SHUTTLE	AA	RIVERSIDE COUNTY — ONA
D9001036	SAFA ALTAIE DBA 5 STAR LIMO AIRPORT EXPRESS SERVICE	AA	SAN DIEGO COUNTY — SNA
D9001043	JOSEPH D. SCOTT DBA DEPENDABLE COMMUTER SERVICE	AA	FREMONT — ULMB
D9005087	SEAJET CRUISE LINES INC	VCC	SAN DIEGO — SANTA CATALINA ISLAND
D9006004	USAMA AL BOSTANI	AA	L.A./ORANGE CO — LAX

EXTENSION OF SERVICE

D8909002	JOSEPH LOGO DBA LOGO EXPRESS AIRPORT SHUTTLE	AA	L.A. COUNTY — LAX
D8907041	HORNBLOWER YACHTS, INC	VCC	MAINLAND-SANTA CATALINA ISLAND
D8910004	MIKE'S AIRPORT SHUTTLE, INC	AA	BURBANK — LAX
D8910003	COAST SHUTTLE, INC	AA	L.A. COUNTY — LAX
D9002040	CRAIG WOLFE DBA HYDRO MARINE COMPANY	VCC	LONG BEACH/LOS ANGELES HARBOR — CATALINA
D8910019	MICHAEL ANTHONY MILLER DBA STAR SHUTTLE	AA	SACRAMENTO — SMA
D9006040	ENTEZAMOLDIN NAZEMZADEH DBA LOS ANGELES TOP SHUTTLE, INC	AA	L.A. COUNTY — LAX
D9006007	WOO JIM KIM DBA SEOUL SHUTTLE	AA	L.A. COUNTY — LAX
D9003077	SFO AIRPORTER, INC	AA	SAN MATEO — SFO

TRANSFER OF SERVICE

	TRANSFERRED FROM		TRANSFERRED TO
D8912018	RAZ TRANSPORTATION	IC	RAZ TRANSPORTATION MEDFORD — CRESCENT CITY
D8912004	DAVID ABADINSKY DBA AIRPORT FLYER BUS AND EXPRESS CO	AA	AIRPORT FLYER INTERNATIONAL
D8907009	COAST YELLOW CAB	AA	NEW COAST YELLOW CAB COOPERATIVE
D8909016	LOUNGE CAR TOURS CHARTER COMPANY, INC	AA	AIRPORT CRUISER ORANGE CO. — LAX
D8909002	JOSEPH LOGO DBA LOGO EXPRESS AIRPORT SHUTTLE	AA	LOGO EXPRESS, INC.
D8912017	CATALINA PACIFICA CRUISIN' INC. VCC. STOCK		
D9001042	CHARLES VICTOR PALMINTERI DBA AM PM AIRPORTER TRANSIT	AA	WILFRED P. PASCO AND JAMES M. COPPULA
D9004014	MAHMOUD ARAM DBA LOS ANGELES TOP SHUTTLE	AA	LOS ANGELES TOP SHUTTLE, INC.
D9005005	HOWARD EMIGH SONOMA COUTY AIRPORT EXPRESS, INC	AA	ACQUIRE CONTROL THROUGH STOCK
D9004015	ALI HOMSI DBA LAX CHEQUER VAN	AA	LAX CHEQUER VAN, INC.

FARES

			PRESENT FARE	PROPOSED FARES
D8909075	CORNELIS BERGHOUT DBA CAMPBELL COMMUTE	HTW	ZORF	
D8907052	SANTA ROSA AIRPORTER, INC.	AA	ZORF	
D8908020	ARIK SHARABI DBA CALIFORNIA MINI-BUS	AA	ZORF	
D8908015	GEORGE PRESTON, INC	AA	ZORF	
D8908005	HARBOR CARRIERS, INC. DBA RED & WHITE FLEET	VCC.	$918,095	$1,064,091
D8910027	H. TOURIST, INC. DBA CATALINA CRUISES	VCC.	$6,718,000	$7,150,000
D8910008	MICHAEL ANTHONY MILLER DBA STAR SHUTTLE	AA	ZORF	
D8910007	MARIN AIRPORTER	AA	ZORF	
D9005057	32ND STREET PIER GROUP DBA WEST WIND EXPRESS INC	AA	$110,593	$145,411
D8911052	WESTERN GREYHOUND LINES, CO.	IC	ZORF	
D8912037	CATALINA FREIGHT LINE	VCC.	$1,546,345	$1,701,639
D9004012	SAN RAMON VALLEY AIRPORTER EXPRESS, INC.	AA	$348,030	$386,500
D9006005	SUPERSHUTTLE OF SAN FRANCISCO, INC	AA	ZORF	
D9006014	CALIFORNIA WESTERN RAILROAD, INC.	RR	$1,331,699	$1,521,466
D9006046	HARBOR CARRIERS, INC.	VES	$2,194,303	$2,325,622

ABANDONMENT

D9003009	FRANCISCAN LINES , INC.	HTW	DANVILLE — SF
D9003026	CROWLEY TOWING AND TRANSPORTATION CO.	VES	

COMPLAINTS

D8910018	KRAFT DBA DOWNTOWN AIRPORTER VS BAYPORTER AIRPORT SHUTTLE SERVICE	ICAA
D8909059	LOUNGE CAR TOURS CHARTER CO., INC	AA

SAFETY
STATISTICAL SECTION

AUTOMATIC GRADE CROSSING PROTECTION AND MAINTENANCE FUND APPROPRIATIONS AND PAYMENTS

Fiscal Year 1989–90

Fiscal Year	APPROPRIATIONS		AUTHORIZED PAYMENTS	
	Amount	Cumulative	Amount	Cumulative
1989-90	$1,000,000	$22,651,224	$1,000,000	$20,521,581

GRADE SEPARATION FUND PROJECTS GRANTED ALLOCATIONS BY THE CALIFORNIA TRANSPORTATION COMMISSION

1989–1990

Line	Local Agency	Railroad	Allocation
1. FAIRFAX ROAD OH	KERN CO	SPTCO	$ 2,622,685^
2. GREENWOOD AVENUE	MONTEBELLO	AT&SF	692,800*
3. E. MOUNTAIN VIEW	CALTRANS	SPTCO	189,425*
4. MAIN STREET UP	MTDB(EL CAJON)	SD&AE	4,268,000
5. MAIN STREET UP	MTDB(CHULA VISTA)	SD&AE	4,268,000
6. SHAW/MARKS UP'S	FRESNO (CITY)	AT&SF	2,959,090
Total Allocation			$15,000,000

* Supplemental allocation

^ Balance Allocation, Section 2460.5 S & H Code.

AUTOMATIC PROTECTION INSTALLED AT GRADE CROSSINGS BY COUNTY

1989

County	Column I Number of New Crossings with Automatic Protection	Column II Initial and Improved Automatic Protection	Column III* Traffic Signals	Column IV Automatic Gates Included in Cols I & II
Butte		1		1
Contra Costa		1		1
Fresno		2		2
Glenn		1		1
Kern		1		1
Los Angeles		10		10
Merced		2		2
Orange		1		1
Riverside		3		3
Sacramento		5		5
San Joaquin		4		4
Stanislaus		1		1
San Mateo		1		1
Santa Clara		1		1
Yolo		1		1
Total	0	35	0	35

* Column III primarily applies to Light Rail Transit system operation on city streets. Traffic signal protection refers to signaling that governs vehicle and train traffic, often with train movements preempting the normal cycle of signal operations.

SAFETY PROGRAM-RAILROAD OPERATIONS

	1985–86	1986–87	1987–88	1988–89	1989–90
1. Accident Reports analyzed and tabulated (calendar year)	2026	1685	1425	1505	1403
2. Casualties investigated in detail (calendar year)	161	148	165	85	88
3 Train accident investigations (calendar years)	79	60	57	59	161
4. Impaired clearance conditions processed	587	488	258	102	49
5. Walkways and other unsafe conditions processed	1857	1372	580	245	246
6. Operational safety reviews	100*	100*	685	410	390
7. Equipment inspections	200*	200*	805	705	613
8. Total inspection transactions	3024	2113	2521	1519	2788
9. Informal complaints filed	105	78	58	77	142
Informal complaints closed	92	110	39	62	65
10. Federal Safety Standards Unit (Calendar Year)					
Equipment Inspections	201	272	247	217	184
Track Inspections	162	205	206	185	207
Operating Practices Inspections					66

* These figures were not tabulated for these years and represent estimates made in retrospect.

CLASSIFICATION OF ACCIDENTS

1989

	ACCIDENTS		CASUALTIES			
Type of Accident	Total	% of Total	Killed	Injured	Total	% of Total
(1)						
VEHICLE-TRAIN ACCIDENTS						
Vehicle-Train at Public Crossings	206	83.7	35	68	103	85.1
Vehicle-Train at Private Crossings	23	9.3	3	3	6	5.0
Vehicle-Train Between Crossings	3	1.2				
Subtotal	232	94.3	38	71	109	90.1
OTHER ACCIDENTS						
Misellaneous	7	2.8	1	3	4	3.3
Pedestrian Accidents	7	2.8	4	4	8	6.6
TOTAL	246	100.00	43	78	121	100.00

"Vehicle" includes automobile, bus, truck, or motorcycle.
"Between Crossings" accidents take place where railroad trains operate longitudinally in paved streets.
"Miscellaneous" includes those accidents where the train struck bicycle, farm tractor or similar conveyance, and those incidents involving a maintenance train.

CONSUMER AFFAIRS SUMMARY REPORT

1989–1990

UTILITIES	SAN FRANCISCO	LOS ANGELES	TOTAL
Total Cases Filed	19,942	21,783	41,725
Backlog Carryover	342	656	998
Cases Closed	19,944	21,903	41,847
Cases Still Open	340	536	876
Money Refunded	$303,825.59	$1,742,368.07	$2,046,193.66

CENTREX-TRANSFER		
PG&E		1,548
PAC BELL	(N)	994
	(S)	751
GENERAL		650
EDISON		1,713
SOCAL GAS		1,135
SDG&E		567
		7,358
CAB FILED		41,725
		49,083

	FILED			STILL OPEN			MONIES REFUNDED	
CASE DETAIL	S.F.	L.A.	TOTAL	S.F.	L.A.	TOTAL	S.F.	L.A.
Communications	8,005	11,490	19,495	108	328	436	$118,213.41	101,116.75
Electric	8,342	5,386	13,728	191	96	287	167,436.41	49,492.29
Gas	776	3,135	3,911	21	93	114	13,811.83	1,533,581.10
Water	1126	908	2,034	17	17	34	4,130.81	58,177.93
Other	1,693	864	2,557	3	2	7	233.13	0
Totals	19,942	21,783	41,725	340	536	878	$303,825.59	$1,742,368.07

CPUC LEGAL PROCEEDINGS

July 1, 1989 - June 30, 1990

APPLICATIONS FOR REHEARING

Filed	Granted	Denied	Action Pending	Dismissed
73	13	42	17	1

APPEALS TO CALIFORNIA SUPREME COURT

Filed	Hearing Granted	Denied	Action Pending	Dismissed
14	1	6	6	1

FEDERAL COURT APPEALS

Filed	CPUC Position Affirmed	CPUC Position Rejected	Pending
8	6	3	9

ANNUAL HEARING/DECISION ACTIVITY REPORT

FISCAL YEAR 1989–90

UTILITY MATTERS

	Hearing Days				Decisions			
	SF	LA	Other	Total	ALJ DIV	Branches	Executive Session	Total
WATER AND SEWER								
Complaints	4	2	4	10	13	0	0	13
Rate Matters	17	11	28	56	28	1	2	31
Certification/Transfers	4	1	5	10	10	0	1	11
Miscellaneous	0	0	1	1	9	2	0	11
Commission Investigations	1	0	3	4	5	0	0	5
Finding of Just Compensation- Condemnation	0	0	0	0	0	0	1	1
	26	14	41	81	65	3	4	72
ELECTRIC								
Rate Matters (General Rate Cases)	9	0	2	11	7	1	1	9
ECAC — (Energy Cost Offset)	28	1	4	33	9	0	1	10
Major Plant Additions								
a. Rate Base Offset	0	0	0	0	0	0	0	0
b. MAAC	0	0	0	0	0	0	0	0
Certification								
a. Power Plants	4	0	0	4	0	0	0	0
b. Transmission Line Siting	11	0	2	13	4	0	0	4
Deviations from Undergrounding Rules	0	0	0	0	2	0	0	2
Complaints	5	2	4	11	21	0	2	23
Electric Safety/Line Extension	8	0	0	8	0	0	0	0
Miscellaneous	13	0	45	58	11	2	0	13
	78	3	57	138	54	3	4	61
GAS								
Rate Matters (General Rate Cases)	14	9	1	24	7	0	0	7
Gas Cost Offsets	43	0	0	43	5	0	1	6
Gas Safety	0	0	0	0	0	0	0	0
Certification of Facilities	7	0	0	7	1	0	0	1
Complaints	4	8	0	12	12	0	2	14
Gas Service Priorities-Curtailment	0	0	0	0	0	0	0	0
Miscellaneous (including gas/oil pipelines)	9	9	0	18	2	1	1	4
	77	26	1	104	27	1	1	32
MULTI SERVICE								
Gas and Electric (Rates)	17	1	1	19	14	0	1	15
Complaints	25	0	8	33	29	0	3	32
Commission Investigations	35	1	0	36	25	0	9	34
Miscellaneous	8	0	0	8	14	2	2	18
Rulemaking (All utilities)	5	0	0	5	6	0	0	6
	90	2	9	101	88	2	15	105
TELEPHONE/COMMUNICATIONS								
Rate Matters (General Rate Cases)	7	0	0	7	12	0	0	12
Commission Investigations	15	2	8	25	12	0	6	18
Radio Telephone Utility (RTU) Certification	0	0	0	0	[illegible]	0	0	47
Other Common Carrier (OCC) Certification	26	0	1	27	30	0	4	42
Complaints	33	11	7	51	[illegible]	0	4	60
Miscellaneous	17	0	0	17	12	2	5	19
Enhanced Services	14	0	3	17	9	0	0	9
	112	13	19	144	186	2	19	207
FINANCING/TRANSFER/CONTROL OF UTILITIES								
Combined Gas and Electric	0	0	0	0	3	3	0	6
Gas Only	0	0	0	0	1	2	0	3
Electric Only	0	0	0	0	3	3	0	6
Telecommunications	2	0	0	2	29	2	0	31
Water/Sewer	0	0	0	0	14	2	0	16
	2	0	0	2	[illegible]	12	0	62
HAZARDOUS WASTE MANAGEMENT								
Cost Recovery	0	0	0	0	0	0	0	0
ALTERNATIVE ENERGY/CONSERVATION								
Load Management (Electric Only)	0	0	0	0	0	0	0	0
Electric Utility Resource Plan	2	0	0	2	1	0	0	1
Electric Cogeneration-Small Power Production								
OIIs - OIRs	0	0	0	0	0	0	0	0
Individual Applications	0	0	0	0	0	0	0	0
Demand Side Management	1	0	0	1	0	0	0	0
	3	0	0	3	1	0	0	1
TOTAL - UTILITY MATTERS	388	58	127	573	471	23	46	540

TRANSPORTATION MATTERS

	Hearing Days				Decisions			
	SF	LA	Other	Total	ALJ Div	Branch	Executive Session	Total
HIGHWAY CARRIER RATES								
Rate Increase Applications and/or Minimum Rate Case Petitions for Modification	2	0	0	2	17	26	2	45
Applications for Deviations from Minimum Rates	1	0	0	1	24	0	0	24
OIIs or OIRs Into Generic Rate Matters or Rules or Policy	68	1	7	76	9	0	5	14
Rate/Enforcement (OIIs)	0	0	0	0	0	0	0	0
Safety-Insurance Matters	0	0	0	0	1	0	0	1
I&S Complaints re Rate Levels	9	2	0	11	2	0	0	2
Other Rate Complaints	1	0	1	2	0	0	0	0
Miscellaneous	11	1	0	12	21	3	4	28
	92	4	8	104	74	29	11	114
HIGHWAY CARRIER CERTIFICATION AND TRANSFER OF OPERATING AUTHORITY								
Common Carriers (Certificates)	2	7	0	9	3	0	0	3
Permitted/Specialized Carriers (e.g., Dump Truck)	0	0	1	1	4	0	0	4
	2	7	1	10	7	0	0	7
HIGHWAY CARRIER FINANCING/ ACQUISITION/CONTROL								
(Issue Stock, Bonds, Acquire Stock Control of Entity)	0	0	0	0	3	1	0	4
SURFACE PASSENGER MATTERS								
Certification & Transfer of Operating Authority								
Passenger Stage	6	23	2	31	55	3	0	58
Charter Party	7	1	0	8	6	0	0	6
Vessel	1	0	2	3	9	0	1	10
Rates								
Passenger Stage	0	0	1	1	7	3	0	10
Vessel	0	0	0	0	1	2	0	3
Complaints								
Bus: Passenger Stage	1	0	0	1	2	0	0	2
Charter Carriers	7	0	0	7	4	0	0	4
Vessel	0	0	0	0	0	0	0	0
Rail	1	0	0	1	2	1	0	3
OIIs - OIRs								
Bus	2	0	0	2	2	0	2	4
Vessel	0	0	0	0	0	0	0	0
Rail	1	0	0	1	0	0	0	0
Safety - Compliance/Safety Rules								
Rail Safety	0	0	0	0	1	0	0	1
Bus	0	0	0	0	1	0	0	1
BART	0	0	0	0	0	0	0	0
	26	24	5	55	90	9	3	102
RAIL CROSSINGS								
Applications	0	5	1	6	6	59	0	65
OIIs - OIRs	7	6	0	13	1	2	0	3
Complaints	1	0	0	1	0	0	0	0
	8	11	1	20	7	61	0	68
MISCELLANEOUS								
Surface Passenger Matters	0	0	0	0	1	0	0	1
TOTAL - TRANSPORTATION MATTERS	128	46	15	189	182	100	14	296

ANNUAL SUMMARY
FISCAL YEAR 1989–90

	Hearing Days				Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Executive Sesssion	Total
TOTAL UTILITY	388	58	127	573	471	23	46	540
TOTAL TRANSPORTATION	128	46	15	189	182	100	14	296
GRAND TOTAL	516	104	142	762	653	123	60	836

Decisions issued by Executive Director's Order = 105

APPENDIX

UTILITIES AND CARRIERS UNDER COMMISSION JURISDICTION

1989–90

Electric	10
Gas	6
Steam	2
Pipelines	6
Water	236
Sewer	10
Telephone (local)	22
Telephone (long distance)	153
Telegraph	1
Mobile Radio Telephone	96
Cellular Radio Resale	76
Cellular Radio Facilities	21
Commercial Air Operators	663
Charter-Party Carriers, Certificated	486
Charter-Party Carriers, Permits	1,892
Passenger Stages	159
Highway Common Carriers, Certificated	3,640
Cement Carriers, Certificated	170
Freight Forwarders	15
Express Corporations	6
Railroads	24
Inland Passenger Water-Carriers, Certificated	18
Inland Water-Carriers, For Hire	315
Freight Water-Carriers, Certified	2
Permits in force, June 30, 1990 (Highway contract carriers, cement contract carriers, household goods carriers, dump truck carriers, livestock carriers, heavy specialized carriers, agricultural carriers, tank truck carriers, vacuum truck carriers and seasonal agricultural and livestock carriers)	32,831

These permits are held by 22,805 for-hire truck operators.

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Telecommunications Operational Costs

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Fuels

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Telecommunications Rate Design

JOHN A. YAGER
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Senior Public Information Officer

ARMANDO B. RENDON
Public Information Officer

CAROLE KRETZER
Public Information Officer Southern California

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ROBERT T. FERARU

ALANNAH KINSER
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ROBERT PAASCHE
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